2001 Annual Report

Delivering Results
Building Tomorrow's Success

GL&V

Groupe Laperriere & Verreault

Contents

Pulp and Paper Group

GL&V Pulp Group
Lawrenceville, *Georgia*
Nashua, *New Hampshire*
Pittsfield, *Massachusetts*
Sherbrooke, *Quebec*
Vancouver, *Washington*

GL&V Paper Group
Hudson Falls, Watertown, *New York*
Lawrenceville, *Georgia*
Trois-Rivières, Dorval, *Quebec*
Lenox, *Massachusetts*

GL&V Pulp and Paper Europe Group
Stockholm, Hedemora, Tumba, *Sweden*
Valladolid, *Spain*
Espoo, *Finland*
St. Petersburg, *Russia*
Pune, *India*
Beijing, *China*
Gouveia, *Portugal*

GL&V Brasil Ltda.
Campinas SP, *Brazil*

GL&V Australia Pty. Ltd.
Melbourne, *Australia*

Manufacturing

GL&V Manufacturing Inc.
Trois-Rivières, *Quebec*

Process Group

GL&V/Dorr-Oliver Canada Inc.
Orillia, *Ontario*

GL&V/Dorr-Oliver Inc.
Alpharetta, *Georgia*
Milford, *Connecticut*
Diadema SP, *Brazil*

GL&V/Dorr-Oliver de Mexico, S.A. de C.V.
Mexico D.F., *Mexico*

GL&V/Dorr-Oliver de Chile Ltda.
Santiago, *Chile*

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Torcy, *France*

GL&V/Dorr-Oliver GmbH
Wiesbaden, *Germany*
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Beijing, *China*

GL&V Australia Pty. Ltd.
Lidcombe, *Australia*

GL&V/Dorr-Oliver South Africa Pty. Ltd.
Sandton, *South Africa*

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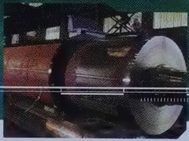


Fiscal 2000-2001 At a Glance

DELIVERING RESULTS, BUILDING TOMORROW'S SUCCESS

GL&V

"In 2000-2001, GL&V achieved all of its key financial and business objectives. We quickly and efficiently integrated the previous year's acquisitions, to close the year with a stronger balance sheet and results beyond financial analysts' expectations. In our two major strategic segments, we consolidated our position of strength in North America, secured a new growth platform in Europe, and started to structure our international network to manage our development on a targeted, more profitable basis."

— **Laurent Verreault**, President and Chief Executive Officer

2000 — 2001 Objectives and Achievements

FINANCIAL OBJECTIVES:

Integrate and optimize the previous year's acquisitions, namely Beloit's two major business units and the Dorr-Oliver worldwide group of companies

- 73% growth in sales: $407.5 million;
- 123% growth in net earnings: $15.2 million or $1.60 per share ($1.47 fully diluted).

Reduce debt

- $18.6 million or 30% reduction in total net indebtedness, using operating cash flows of $19.1 million and $15.1 million proceeds from the sale of non-strategic assets;
- Total net indebtedness / total capitalization down from 54.3% to 38.1%.

Maximize shareholder value

- Results exceeding financial analysts' expectations;
- 25% return on shareholders' equity;
- Special dividend of $0.10 per share;
- Increase of 57% in stock price between March 2000 and June 2001;
- 12 consecutive quarters of growth in fully diluted earnings per share over the corresponding periods of the previous years;
- Redemption of 156,000 shares as part of normal course issuer bid, mostly Class A shares.

MARKET OBJECTIVES:

Consolidate our leadership in North America

- GL&V has become the **No. 1** supplier of equipment for the pulp and paper industry in North America and **No. 5** worldwide, and now ranks **No. 3** internationally in process equipment for separating liquids and solids;
- Integration of sales forces, product lines and trademarks;
- Strong growth in the aftermarket, including spare parts and field services;
- Acquisition of Environmental Equipment & Systems, Inc. (process equipment for the environmental industry);
- Acquisition of E.L.P. Products Inc. (supplier of high-wear spare parts for the pulp and paper industry);
- Purchase of the remaining 35% interest in GL&V Manufacturing Inc. and strong growth by this subsidiary in the promising energy market.

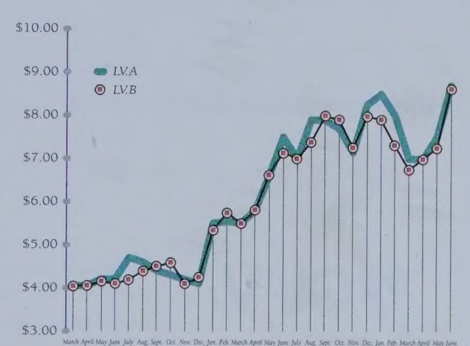
Build our sales and engineering organization in Europe

- Strategic merger of the Pulp and Paper Group's proprietary rights in Europe with those of Enertec, S.A. (leader in the design of papermaking equipment, mainly in Spain and Portugal);
- Creation of GL&V Pulp and Paper Europe Group, 50%-owned by GL&V.

Structure our operations to grow our business and profitability in other parts of the world

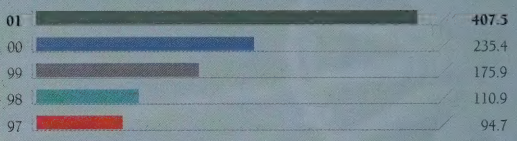
- Joint implementation of a mixed market strategy by the Pulp and Paper Group and the Process Group (Australia and South Africa);
- Acquisition of ADDAX Australia Pty. Ltd. in Melbourne, Australia (supplier of equipment for the pulp and paper industry);
- Opening of a business centre in Brazil.

LV.A LV.B
Closing price at month-end



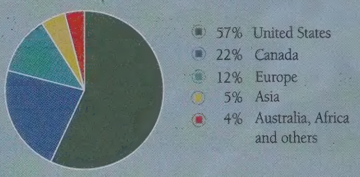
GL&V has more than quadrupled its revenues in the space of five years. Over the last three years in particular, the Company has invested $80 million in business acquisitions that have brought a major contribution to its sales growth, its portfolio of patented equipment and recognized trademarks, and its status among the world-class suppliers of equipment for the pulp and paper industry as well as other sectors such as mining and minerals, food and chemicals, energy and the environment.

Revenues
(in millions of $)

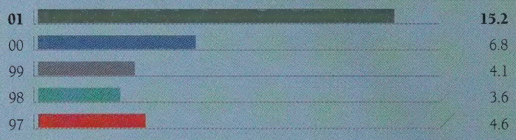


Whereas GL&V's business was concentrated mostly in Canada five years ago, the Company today achieves 78% of its sales with customers outside the country: 57% in the United States, and 21% in Europe and other parts of the world. The Company currently employs some 1,400 people and is present in 40 countries on five continents.

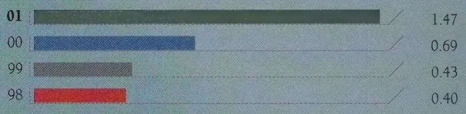
Geographic Breakdown of Sales



Net Earnings from Continuing Operations
(in millions of $)



Fully Diluted Earnings Per Share
(in $)



Strategic acquisitions made in recent years and their efficient integration have enabled GL&V to more than quadruple its net earnings since 1998. To support this performance, GL&V has chosen to focus on its higher-profit, value-added operations, mainly the design of proprietary equipment and its spare parts business which accounts for one-third of its revenues today. Consistent with this objective, the Company has divested non-strategic assets, including plants, and established a flexible, efficient and profitable outsourcing network.

"GL&V has many key advantages to continue growing its worldwide market share and its profitability, such as its international scope, its broad product selection, its renowned technologies, its extensive after-sales services, its positioning in several promising niches and its competitive cost structure. Furthermore, it's in 2001-2002 that we will start to truly benefit, for the entire fiscal year, from the synergies resulting from the integration of our latest acquisitions."

— Laurent Verreault

2001 — 2002 Objectives

GL&V aims to grow its results by 8% to 12%, by...

- making the most of its global base of installed equipment;
- enhancing its aftermarket servicing capabilities;
- working on recapturing the former customer base of the units acquired in North America;
- increasing its presence in other geographic markets, notably by seeking new strategic alliances in Europe and growing its business in Brazil, Australia and South Africa; and
- acquiring companies with complementary products and skills, whose growth will be maximized with the backing of its international network.

To grow its profitability, GL&V intends to...

- continue to intensively develop the spare parts business;
- focus on its value-added operations and know-how;
- strengthen its outsourcing network to further improve manufacturing costs; and
- divest the final non-core assets to continue reducing its debt and financial expenses.

GL&V

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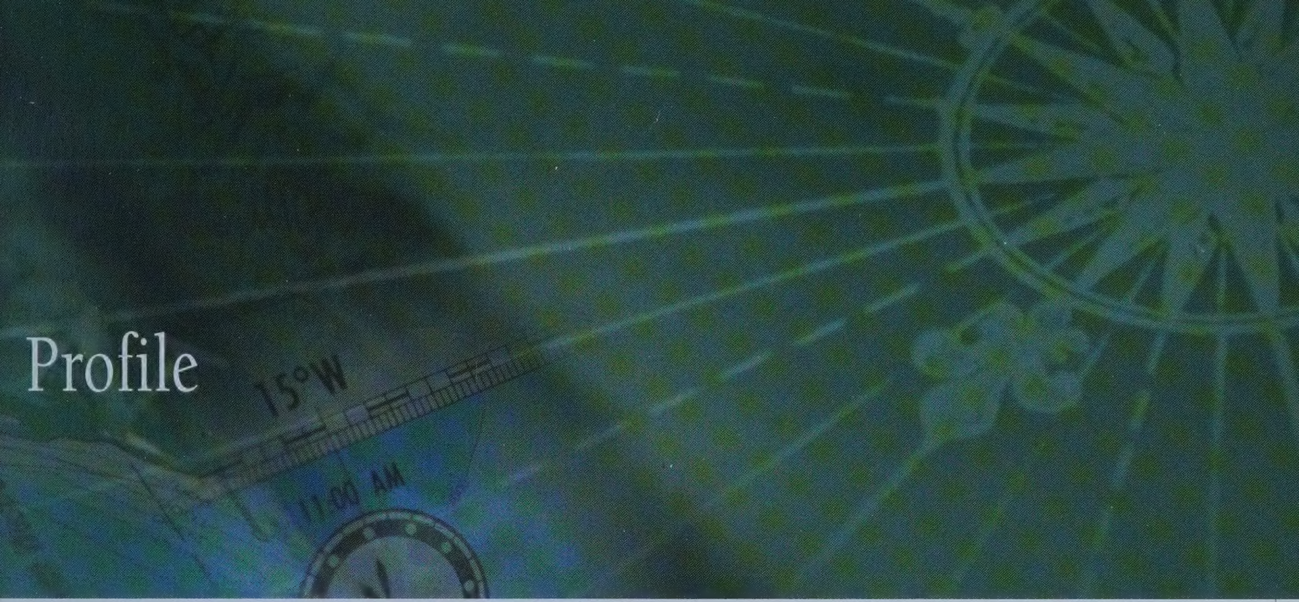


Profile

Founded in 1975, GL&V is a world leader in the design, manufacture, upgrading and after-sales servicing of patented engineered equipment used in pulp and paper production and in liquid/solid separation processes. The Company serves mainly the pulp and paper industry and various markets such as mining and minerals, food and chemicals, energy and the environment.

GL&V holds the proprietary rights to a portfolio of technologies and trademarks recognized around the world. Besides its own manufacturing facilities in North America, its products are manufactured primarily by an international network of subcontractor partners, providing the Company with rapid execution and a flexible, competitive cost structure.

A world-class integrated supplier, the Company employs some 1,400 people and is present in 40 countries on five continents. GL&V has operations and/or sales representatives in Canada, the United States, Mexico, Europe, Australia, Africa, Asia, and South America, along with sales agents in most industrialized regions around the world.

Fiscal 2000-2001 Highlights

IN THE LAST FISCAL YEAR, GL&V...

- exceeded financial analysts' expectations with **net earnings of $15.2 million or $1.60 per share** ($1.47 fully diluted), up 123% over the previous fiscal year;
- delivered a **25% return on equity**;
- achieved **record sales of $407.5 million**, an increase of 73%;
- **rationalized and consolidated** its recent acquisitions;
- completed **three acquisitions and one strategic merger**;
- **structured its operations** in North America, Europe and worldwide to support its future growth;
- **reduced its total net indebtedness by 30%** using its operating cash flows of $19.1 million and proceeds from the sale of non-strategic assets;
- paid a **dividend of $0.10 per share**;
- **redeemed** 156,000 shares as part of its normal course issuer bid; and
- closed out **12 consecutive quarters of growth** over the corresponding periods of the previous years.

FIRST QUARTER (June 30, 2000)

- ***Growth of 162% in sales and 155% in net earnings***;
- Acquisition by the Process Group, for approximately $1 million, of **Environmental Equipment & Systems, Inc.** (Connecticut), a high-potential leader in the design of wastewater treatment equipment for large municipalities and various industrial markets in the United States. Orders worth a total of over $5 million have been received since the acquisition;
- Conversion of the balance of the convertible debenture into 1.4 million subordinate voting shares.

SECOND QUARTER (September 30, 2000)

- ***Growth of 137% in sales and 360% in net earnings***;
- Acquisition by the Pulp and Paper Group of **ADDAX Australia Pty. Ltd.** (Melbourne, Australia), specializing in equipment sales and after-sales service for the pulp and paper industry. Subsequent creation of **GL&V Australia Pty. Ltd.**, strategically combining ADDAX's operations with those of the Process Group in Australia and New Zealand to jointly serve the pulp and paper and mining industries ("mixed markets");
- Declaration of a special dividend of $0.10 per share;
- Renewal of the normal course issuer bid.

THIRD QUARTER (December 31, 2000)

- ***Growth of 37% in sales and 108% in net earnings;***
- Purchase of the 35% interest formerly held by the Fonds de solidarité FTQ in **GL&V Manufacturing Inc.** (Trois-Rivières, Quebec), to secure part of the supply of quality manufacturing services to GL&V's other groups, and mainly to take full advantage of the growth potential of the subsidiary's external customers such as the energy sector;
- Divestiture of the 50% interest in **GL&V Hydrogen Technologies Inc.**, consistent with GL&V's strategic objective of focusing on its two major growth segments: engineered equipment for the international pulp and paper industry, and filtration process equipment for other target markets around the world.

FOURTH QUARTER (March 31, 2001)

- ***Growth of 28% in sales and 57% in net earnings***;
- Strategic merger of the proprietary rights of the Pulp and Paper Group in Europe with **Enertec, S.A.** (subsidiary of the COINPASA Group in Bilbao, Spain), an exclusive licensee of Beloit and a leader in the design of papermaking equipment in Spain, Portugal and various other countries. Subsequent creation of **GL&V Pulp and Paper Europe Group**, 50%-owned by GL&V, which will serve as a platform for strengthening GL&V's sales and engineering organization, positioning its trademarks and accelerating its growth across Europe.

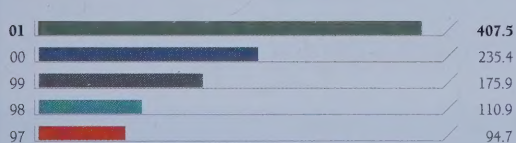
- On April 3, 2001 (beginning of fiscal 2002), acquisition by the Pulp and Paper Group of **E.L.P. Products Inc.** (Calgary, Alberta), specializing in the manufacture of high-wear industrial spare parts such as pulp washers. This acquisition increases GL&V's presence in the western part of North America and offers promising growth potential through GL&V's international network.

Financial and Stock Market Highlights

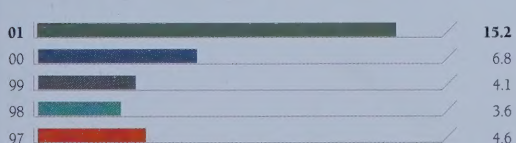
Fiscal years ended March 31,	**2001**	2000	1999	1998	1997
OPERATING RESULTS (IN THOUSANDS OF $)					
Revenues	**407,465**	235,440	175,922	110,871	94,697
EBITDA	**34,837**	20,894	14,044	10,590	11,691
Earnings from continuing operations	**15,243**	6,837	4,096	3,564	4,648
Net earnings	**15,243**	6,837	4,282	3,653	5,196
Cash flows from operations	**19,122**	12,615	10,481	7,403	7,356
Return on shareholders' equity	**25.0%**	13.9%	9.6%	9.2%	15.0%
PER SHARE (IN $)					
Earnings from continuing operations					
• *basic*	**1.60**	0.82	0.50	0.47	0.61
• *fully diluted*	**1.47**	0.69	0.42	0.39	0.49
Net earnings					
• *basic*	**1.60**	0.82	0.52	0.49	0.69
• *fully diluted*	**1.47**	0.69	0.43	0.40	0.54
Cash flows from operations					
• *basic*	**2.01**	1.54	1.27	0.99	0.97
• *fully diluted*	**1.84**	1.26	1.05	0.75	0.74
Dividends	**0.10**	–	–	0.10	–
Book value	**7.32**	6.22	5.63	5.18	4.97
FINANCIAL POSITION (IN THOUSANDS OF $)					
Total assets	**231,210**	225,907	136,623	100,557	97,228
Long-term debt*	**58,636**	71,909	30,149	14,931	14,525
Shareholders' equity	**70,315**	51,719	47,002	42,596	36,972
Total net indebtedness	**42,733**	61,359	28,897	8,755	1,740
• as a % of total invested capital	**37.8%**	54.3%	38.1%	17.0%	4.5%

* Including current portion

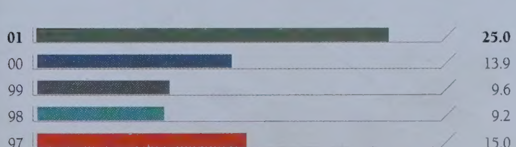
REVENUES
(in millions of $)



NET EARNINGS FROM CONTINUING OPERATIONS
(in millions of $)

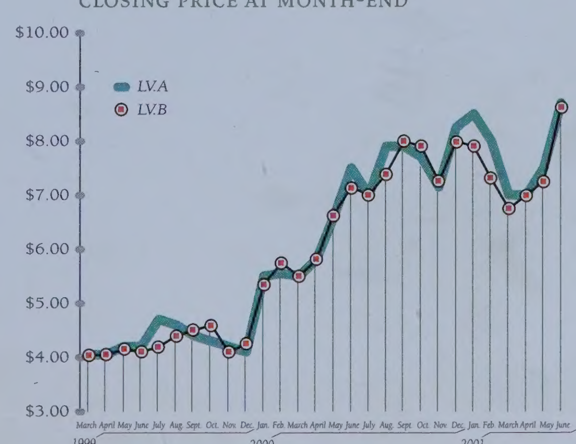


RETURN ON SHAREHOLDERS' EQUITY
(in %)



Shares	**LV.A** (subordinate voting)	**LV.B** (multiple voting)
Number outstanding	6,042,058	3,569,282
Public float	5,403,509	1,152,103
Record high/low	$9.25/$3.30	$10.05/$1.95
High/low for last fiscal year	$8.25/$5.10	$10.05/$5.30
Trading volume	1,957,132	182,239
Share price as at March 31, 2001	$6.75	$7.00
Share price as at June 30, 2001	$8.65	$8.70

CLOSING PRICE AT MONTH-END



In fiscal 2000-2001,

GL&V achieved all of its key business and financial objectives, despite difficult economic conditions in the second half of the year.

Message to Shareholders

We quickly and efficiently integrated the previous year's acquisitions, to close the period with a stronger balance sheet and results beyond financial analysts' expectations. In our two major growth segments, we consolidated our North American position of strength by further optimizing and rationalizing all of our operations. We also secured a new growth platform in Europe, and started to structure our international network to manage our development on a targeted, more profitable basis.

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

We had set as key financial objectives to optimize the profitability of our recent acquisitions and to reduce our debt. We kept our word.

Net earnings rose 123% to $15.2 million or $1.47 fully diluted per share, surpassing the forecasts of financial analysts covering the Company. GL&V thus delivered a 25% return on equity, not to mention the special dividend of $0.10 per share paid in the third quarter. What's more, the price of our Class A share increased by 23% in a downward stock market. The business units acquired the previous year from Beloit and Dorr-Oliver were rapidly turned around. They made a substantial contribution to GL&V's profits while giving us an impressive base of installed equipment and great visibility worldwide. I also wish to point out that all of our subsidiaries posted appreciable growth in terms of profitability, despite the pressures exerted on their profit margins by constrictive economic conditions.

Furthermore, we reduced our total net indebtedness by almost one third, or $18.6 million, out of our cash flow from operations and proceeds from the disposal of non-strategic assets. We divested some of the equipment, land and buildings connected with our latest acquisitions to entrust manufacturing operations to our subcontracting partners. We also sold our 50% interest in GL&V Hydrogen Technologies Inc. in order to better focus on our two major strategic segments: engineered equipment for the international pulp and paper industry, and filtration process equipment for other target markets around the world, including mines and minerals, food and chemicals, energy and the environment.

We had also set three major market objectives. The first was to integrate, coordinate and consolidate our sales forces, product lines and trademarks in North America. That is almost done, and our two major groups are now solidly established, efficient and profitable.

Message to Shareholders

In the Pulp and Paper Group, besides restructuring the manufacturing operations, we consolidated our product line to focus on our leading technologies and those offering aftermarket potential. Now that we have become the major player in North America, we have also harmonized the corporate image of our business units and our various trademarks to raise ***GL&V***'s profile in the marketplace. For its part, the Process Group completely reorganized its manufacturing, warehousing and distribution operations while also eliminating the last overlaps in its sales and engineering network. In both groups, we started to recapture the markets that had been neglected or abandoned by Beloit and Dorr-Oliver before we acquired them, including the spare parts market and process equipment for the industrial and municipal environment. To that end, we increased our capability to support our customers with spare parts and field services, and acquired two businesses specializing respectively in high-wear consumable industrial parts and municipal waste treatment technologies.

Last year gave rise to another strategic acquisition for our development in North America: that of the 35% interest held by the Fonds de solidarité FTQ in our subsidiary GL&V Manufacturing Inc., the largest and most versatile of our manufacturing units. This investment will enable us to secure our other groups' procurement for the manufacture of certain critical equipment components, while participating fully in GL&V Manufacturing's growth in the high-potential energy market.

Our two other business objectives were to build our sales, design and engineering organization in Europe, and to optimize our international sales networks in order to grow our business and profitability in other parts of the world. We have made considerable progress in both directions.

While the Process Group was integrating a profitable, highly dynamic business base in Europe, which now accounts for close to half of its revenues, the strategic merger of the Pulp and Paper Group's proprietary rights with Enertec, S.A.'s gave us significant leverage to broaden our coverage of the pulp and paper market, better position our trademarks, increase GL&V's visibility and step up our growth throughout Europe. As a result, our European workforce has doubled within less than two years. We are very pleased with the quality of the human resources who have joined our ranks, whether it be in engineering, sales, marketing or service.

Elsewhere in the world, we implemented a new mixed market strategy aimed at combining the sales forces of the Pulp and Paper Group and the Process Group in order to market all of our products and trademarks through the same pipeline. A first initiative of the type was taken after we acquired ADDAX Australia Pty. Ltd., followed by another in South Africa. Through this strategy, our goal is to fully capitalize on the size and strength of our international network while optimizing our sales and market development efforts in these promising regions.

Finally, we had set as an objective to continue developing our greatest asset: our human capital. We are proud of the ground we have covered in coordinating and reinforcing the management of our human resources.

We have implemented clear, standardized policies and procedures to ensure the equitable and respectful treatment of our employees, to encourage and reward performance, and to identify and train GL&V's future managers. What's more, each and every one of our 1,400 employees worldwide has been given a Worldwide Business Conduct Policy setting forth the principles and guidelines by which we intend to promote GL&V's global reach and image, as a world-class company and a responsible corporate citizen.

Facing the current slowdown in the economy and the pulp and paper industry, GL&V is well positioned to continue increasing its market share worldwide and to remain profitable.

It is true that the market for new pulp and paper machinery is still difficult, especially in the United States. As they have done for the last several years, pulp and paper manufacturers are rather focusing their investments on upgrading, optimizing and maintaining their existing equipment, which happens to be GL&V's core business. Although we are being extremely careful and closely watching our operating costs, we are confident about our outlook for the current fiscal year. In fact, we believe GL&V has several advantages that make it less vulnerable to downward cycles in its largest market.

First, our size, extensive product line and the reputation of our technologies have made GL&V a foremost supplier in the industry. Second, we are relatively less dependent on large capital projects as one-third of our sales are in spare parts, and more than half in the aftermarket if partial equipment rebuilding and field services are included. In fact, although our global backlog has decreased in recent months, we are seeing an increase in spare parts and after-sales service orders, a recurring business with attractive profit margins, and where execution times are shorter.

Third, we are expanding our basic skills into diversified industrial markets. Among other things, the Process Group has secured a foothold in the important environment market in the United States, while GL&V Manufacturing has achieved interesting breakthroughs in the energy sector. Concurrently, we are diversifying geographically into regions where our target industries are growing. For instance, we recently garnered large contracts in the pulp and paper sector in Europe, Australia, Asia, Brazil and the Southern United States. For its part, the Process Group is working on large capital projects for the alumina industry in China and India.

Message to Shareholders

Fourth, we benefit from a competitive and flexible cost structure thanks to our outsourcing network, which enables us to rapidly adjust to fluctuations in demand. Finally, we can count on excellent, service-oriented and results-driven human resources, including a sales force active around the world. That's a major asset for GL&V.

GL&V has shown in the past that it delivers results, regardless of market conditions. We will continue to do so.

Over the past three years, throughout a particularly difficult period for the pulp and paper industry, we have successfully turned the weakness of our major market to our advantage, and even made it a driving force for the Company. We have consolidated our industry and efficiently integrated our expansion, with the result that we have quadrupled our revenues and net earnings since 1998. Without either compromising our financial health or diluting our shareholders, we have invested some $80 million in business acquisitions. And we have just completed 12 consecutive quarters of strong growth in revenues and profits over the corresponding quarters of the previous years.

In 2001-2002, we will stay on this course by building upon our foundation and our strengths. We are aiming for an 8% to 12% increase in results through a combination of internal growth and acquisitions. First, we intend to make the most of our important base of installed equipment in operation worldwide by enhancing our after-sales service while continuing to offer leading technologies in capital projects. We will work systematically on recapturing the former customers of the business units we acquired in North America and on developing our presence in our other industrial and geographical markets, for instance by seeking other strategic alliances in Europe. We also intend to purchase small companies with good products and proven technologies, whose growth will be maximized with the backing of our international network. To that end, we have put together a solid team with complementary expertise in operations, finance and human resources, to study and carry out acquisition projects.

To counter the pressure exerted by current economic conditions on our profitability, we will focus on our know-how and our value-added operations, especially those with recurring revenues and good profit margins. We will strengthen our outsourcing network to lower our product costs. Using our operating cash flows and proceeds from the divestiture of our last non-core assets, we will further reduce our debt and financial expenses while improving return on assets. Lastly, we will continue to train our employees and managers to be good entrepreneurs and service-oriented people, responsive and close to our markets.

One thing is clear: we firmly intend to continue growing GL&V and creating value for our shareholders, customers and employees.

In conclusion, I want to sincerely thank our employees for making GL&V the world-class constantly evolving company it is today. I'm confident that their steadfast efforts and dedication will bring GL&V to new levels. I also wish to thank our customers and suppliers for embracing our vision of partnership and mutual success. As for GL&V's shareholders, I reiterate the commitment of our entire team to maximize the return on your investment through a dynamic vision of the Company's development and rigorous management of its assets. We will also continue to ensure that GL&V gets the recognition it deserves in the financial community and on the stock market. Finally, I would like to emphasize the invaluable contribution of our Board of Directors. I particularly wish to express my gratitude to Mr. Pierre Raymond who has stepped down after serving on the Board for 12 years, and to welcome Mr. Gérald Tremblay.

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer
June 2001

Pulp and Paper Group

The Pulp and Paper Group is currently GL&V's largest business sector, with revenues of $289 million for the last fiscal year.

Review of Operations

Kathy Sear
Assistant Production Manager
Rand Whitney Paperboard
Montville, Connecticut

Mark Hayford
Field Service Co-ordinator
GL&V Pulp Group Inc.
Nashua, New Hampshire

The Pulp and Paper Group is one of the leading process machinery suppliers in North America and has largely, during the last fiscal year, established a global presence. Its products include an impressive portfolio of proven technologies and well known trademarks that enable it to meet most pulp and paper manufacturers' needs – from chemical pulping and recycled fiber processing to stock preparation, papermaking and paper finishing – whether it be for new equipment, existing equipment upgrades and rebuilds, OEM or reconditioned spare parts, or a complete range of field services.

Bob O'Connell
Field Service Supervisor
GL&V Pulp Group Inc.
Nashua, New Hampshire

Interview with Robert C. Harrison, President of the Pulp and Paper Group, Richard Verreault, Senior Vice-President of the Pulp and Paper Group, and Javier Salcedo, Managing Director of GL&V Pulp and Paper Europe Group.

TO WHAT EXTENT DID THE PULP AND PAPER GROUP ACHIEVE ITS OBJECTIVES IN 2000-2001?

We met or surpassed most of our objectives, especially in terms of profitability, in spite of the economic slowdown that started in the United States in the second half of the year. The two Beloit business units acquired late in the previous year were quickly rationalized, integrated into GL&V and turned profitable, yielding a major contribution to sales and profits. This acquisition also gave us excellent market exposure, which benefited our operations as a whole. We had a very good year in the North American paper machine and dryer market whereas in the pulp sector, our Celleco product line had record performances in both North America and Europe. A key factor in our success over the past year was that one third of our sales came from spare parts.

HAVE YOU COMPLETED THE RATIONALIZATION AND INTEGRATION PLANNED FOR THE BELOIT BUSINESS UNITS?

Basically yes, except for a few fixed assets we hope to dispose of this year. Our initial focus was on providing employees with a motivating and fulfilling working environment and instilling GL&V's entrepreneurial culture. That produced excellent results, as shown by last year's performance. We also restructured our manufacturing operations by substantially reducing our captive manufacturing in the acquired Nashua facility in New Hampshire. As a result we were able to sell a considerable amount of unproductive manufacturing assets and to outsource work to third parties, including GL&V Manufacturing. We turned several other non-strategic assets into cash and disposed of some parcels of property.

In addition, we rationalized our entire pulp product line, keeping only the best technologies. We were able to build a very strong portfolio of GL&V products, several of which enjoy dominant operating machine populations around the world.

During the year, we started to rebuild the customer base that had been lost, or seriously damaged, in the months preceding Beloit's bankruptcy. Restoring the confidence of these customers on a daily basis will continue to be one of our greatest challenges in the coming quarters. However, it will also represent one of our greatest growth opportunities. It was partly for this reason that we strengthened our field service team, which now has approximately 100 professionals around the world. In order to raise the image and profile of GL&V throughout our markets as a strong and major player worldwide, we also undertook to standardize our corporate image and that of our different trademarks under the GL&V umbrella.

Review of Operations

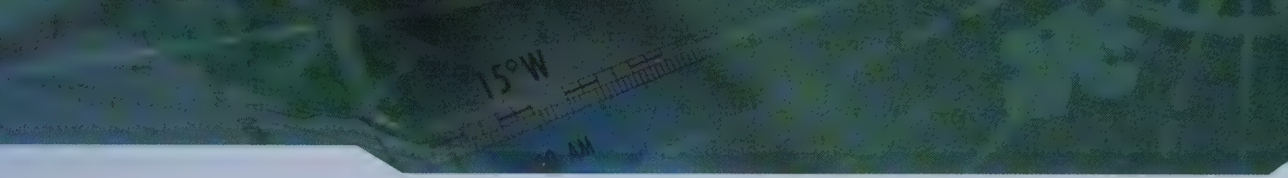
Pulp and Paper Group

LET'S TALK ABOUT THE RECENT TRANSACTION IN EUROPE. WHAT WAS THE GOAL AND WHAT DOES THE NEW ORGANIZATION LOOK LIKE?

In January 2001, we merged our European proprietary rights from the acquisitions of Celleco and Beloit as well as our Scandinavian Celleco operating units, with those of Enertec, S.A., a subsidiary of the COINPASA Group. Enertec, formerly called Beloit Ibèrica, had been an exclusive licensee of Beloit since 1983. As such, it has sound knowledge of the Impco, Beloit-Jones and Beloit-Lenox intellectual properties acquired by GL&V in February 2000. The primary assets that Enertec brought to the merger include its cutting-edge expertise, its European market intelligence and its dynamic mechanical engineering, drafting, sales and marketing team. Subsequent to the transaction, we created subsidiaries in Sweden, Finland and Spain, equally owned by GL&V and the COINPASA Group. The new organization operates under the name GL&V Pulp and Paper Europe Group as a purely European entity, managed by Europeans.

This merger doubled our workforce in Europe, where we now employ 160 engineering, application engineering, project management, service, sales and marketing specialists. GL&V Pulp and Paper Europe Group is expected to generate some $50 million in annual sales, and its growth potential is considerable.

In fact, it would have been hard to find a better match in terms of technological capability, know-how and experience. For example, before the merger, our focus was on pulping equipment, primarily in Northern Europe. For its part, Enertec specializes in the design and upgrading of paper manufacturing and finishing equipment and holds a dominant position in Spain and Portugal. In other words, today we are structured to offer a comprehensive range of patented solutions to pulp and paper manufacturers, and to establish all of our international trademarks throughout Europe. We combine several leading technologies in Europe. For instance, Celleco, which has been involved in this market since 1936, is the oldest and best-known pulp cleaner and thickener manufacturer. Enertec's paper finishing technologies dominate the Southern European market. We also have a competitive cost structure, which will enable us to increase our market share.



Robert C. Harrison
President,
Pulp and Paper Group

Richard Verreault
Senior Vice-President,
Pulp and Paper Group

Javier Salcedo
Managing Director,
Pulp and Paper Europe Group

HOW ARE YOU COPING WITH THE SLOWDOWN IN THE ECONOMY AND IN THE PULP AND PAPER INDUSTRY?

We are naturally concerned about the situation, but not unduly so. It is true that we are seeing a considerable slowdown in major capital projects for a number of reasons, such as economic uncertainty, ongoing consolidation and rationalization within the pulp and paper industry, depressed prices for commodities and high energy costs. We have nonetheless landed important contracts for new equipment in Brazil, Australia and the Southern United States since the beginning of the new fiscal year. Moreover, the upside is that demand remains brisk and that our orders are on the rise in the aftermarket – specifically machine upgrades, spare parts and field services. That's where we will focus most of our efforts this year in both North America and Europe.

Our goal is to enhance our capacity to support our worldwide installed base of engineered equipment. This is the logic behind our reviewing all of our spare parts processes and practices and studying various alternatives to strengthen our organization, improve our responsiveness and optimize our cost structure. We are particularly interested in the high-wear industrial consumables market.

Review of Operations
Pulp and Paper Group

HOW DO YOU INTEND TO MAINTAIN OR IMPROVE PROFITABILITY?

First, by securing and growing our sales, among others through recurring-revenue, higher-profit operations. And second, by reducing our underlying product variable costs. We are therefore expanding our subcontracting networks to allow us to focus on our core skills: designing, developing, marketing and supporting our customers in the field. Last year, we forged several alliances with manufacturers located in low-cost areas of the world and near our customers to speed up delivery times and increase cost-efficiency. This year we will work on further lowering costs through better management of our current network and the establishment of long-term partnerships with global suppliers. And of course, we will tightly control all of our operating and administrative costs.

WHERE WILL YOUR GROWTH COME FROM IN 2002 AND SUBSEQUENT YEARS?

In North America, our greatest potential lies in the huge installed base of equipment bearing our various trademarks, especially the Beloit base. Just by gradually recovering Beloit's customers, we should be able to increase our sales by 10% annually. Besides acquisitions, our growth will therefore stem from our capacity to support the installed base by providing customers with high-quality spare parts at a competitive price, and responsive, efficient field services. We truly believe that customers who are more inclusively served by GL&V will outperform those that are not.

Conversely, our reputation for quality service will better position us to promote our technologies and execution capacity for major capital projects. For that purpose, we have a formal technology development program focused on improving and extending our flagship products – meaning those that give us an edge for their performance and competitiveness, enjoy strong brand awareness and have great after-market potential. Our Hydra Sizer™ paper impregnation system is an example. We have sold four units last year and plan to market the technology on a larger scale this coming year.

Europe will be another source of growth for GL&V. We are pleased with the way our new organization is developing, and we believe that GL&V Pulp and Paper Europe Group could grow its sales by 20% annually. Since our position is not as strong in Europe as in North America, we can significantly increase our market share there. We are much more competitive and focused as a result of last year's subcontracting of the Hedemora manufacturing operations. As in North America, we will focus primarily on increasing our servicing of the Beloit, Celleco and Hedemora machine population and growing our spare parts business. We will strengthen our position in Southern and Northern Europe and will increase our presence on this continent by offering our entire portfolio of products and services. What's more, there are several former Beloit licensees and partners in Europe with whom we will study the opportunities for forging further strategic alliances.

Our latest acquisitions have provided us with an exceptional international network. We intend to make the most of it. For instance, we see considerable potential in Latin America, which has an important and growing pulp and paper industry. Recently, we opened an office in Brazil with the Process Group. Outside North America and Europe, we will implement a "mixed market" strategy with the Process Group.

ROBERT COOMES
VICE-PRESIDENT,
MIXED MARKETS

WHAT DO YOU MEAN BY "MIXED MARKETS"?

The idea behind this concept is the pooling of our sales and service strengths in pulp and paper and those that the Process Group has in mining and other industrial markets. The purpose of this strategy is to fully exploit our international network without investing in redundant infrastructures. In some countries, we plan to eliminate overlapping networks in favour of the centralized operations of a common entity. Employees will be trained to represent the complete portfolio of Beloit, Dorr-Oliver, Celleco and our other product lines.

This was our approach last year in Australia. In September 2000, we acquired ADDAX Australia in Melbourne (formerly called Beloit Australia) specializing in equipment sales and after-sales service to the pulp and paper industry in Australia and New Zealand. We then combined its operations with those of the Sydney-based Process Group subsidiary serving the mining industry. This led to the creation of a new entity – GL&V Australia Pty. Ltd. – which now employs a dozen sales, engineering, and service personnel whom we support with engineering and product knowledge from our North American and European Product Centers. This strategy will enable us to improve service to both pulp and paper manufacturers and mining companies and will help us further penetrate the high-potential market in the region. More recently, we set up the same type of organization in South Africa.

Other such initiatives will eventually be taken in other strategically important regions elsewhere in the world.

TO SUM UP, WHAT ARE YOUR GOALS FOR THE CURRENT FISCAL YEAR?

In North America, we will focus on gradually rebuilding Beloit's former customer base in both the aftermarket and capital markets. We also intend to complete disposing of non-strategic assets in order to reduce our debt. In Europe, we plan to consolidate our new operating base and integrate our sales networks, while pursuing other strategic alliances to enhance our presence. We will also strive to grow our business in other parts of the world such as Brazil, Chile, Australia and South Africa. Throughout the Group, we aim to build up our capabilities in after-sales service, including high-wear consumables, while continuing to reduce our underlying product costs. We will seek to acquire service-oriented businesses with complementary technologies. Finally, we will continue to improve our flagship products, position GL&V as a uniquely qualified technology and service provider, and groom future leaders by placing and training new managers in key positions.

Process Group

GL&V's Process Group is among the world leaders in the design, development, manufacture and marketing of engineered equipment for separating liquids and solids.

Review of Operations

Klaus-Dieter [illegible]
General Manager
GL&V/Dorr-Oliver GmbH
Wiesbaden, Germany

M. Vincenzo Rosino, Ing.
Managing Director
Eurallumina s.p.a.
Portoscuso, Sardinia, Italy

This Group is involved mainly in the mining and minerals industry, the environment, chemicals and food, thereby providing GL&V with a significant opportunity to diversify its markets and know-how. With sales of $120 million for the last fiscal year, the Process Group serves an international customer base from its operational and sales network extending into about ten countries on five continents.

Brad Johnston
Operations Manager
GL&V/Dorr-Oliver Canada Inc.
Orillia, Ontario

Interview with Greg Bruyea, President of the Process Group, and Bart Yule, Vice-President and General Manager of GL&V/Dorr-Oliver Canada Inc.

HOW WOULD YOU DESCRIBE FISCAL 2000-2001?

Definitely a transition year – as we have more than tripled in size within less than 18 months! The major issue of the past fiscal year was integrating the operations acquired in September 1999 from Dorr-Oliver in North America, Europe and elsewhere in the world. It was a big job, but it's almost completed now, and the results are very encouraging for our teams.

Remember that in the second half of the previous fiscal year, besides disposing of the starch manufacturing centrifugation assets, we undertook to merge offices and to eliminate duplicate costs. We completed the process in 2000-2001. First, we shut down and sold the Hazleton plant in Pennsylvania. Its production was transferred to a new supplier network established during the year. Then we centralized our entire North American warehousing and spare parts distribution activities at our Orillia, Ontario, facilities where we can improve service and manage these operations more cost-effectively. We also relocated some sales offices, closed others, merged several more with the Pulp and Paper Group in Australia, South Africa, Brazil and China, and reorganized our business centres in Mexico, Chile, France, England and Holland.

DID YOU REAP THE EXPECTED BENEFITS FROM THE DORR-OLIVER INTEGRATION?

Yes, and even more. In fact, we exceeded our sales objectives in both North America and Europe, and achieved even greater savings than expected in the integration process. In just a few months, we eliminated the former organization's losses to close the year with a solid profit, despite the costs associated with the restructuring. Our Canadian and German business centres, especially, delivered excellent results, surpassing their sales and profit objectives.

We now have established a solid profitable platform, excellent product portfolio, and competitive cost structure; we are well positioned to pursue expansion on a global basis. For instance, we landed significant contracts for the alumina industry in China and India, the petrochemical industry in Canada and Venezuela, and the environmental sector in the United States. Also, we rapidly took over the spare parts business of the acquired units and are growing this important segment of our business, which accounted for over a third of our revenues last year.

Review of Operations
Process Group

WHAT WILL BE YOUR GROWTH MARKETS IN THE COMING YEARS, AND HOW DO YOU PLAN TO DEVELOP THEM?

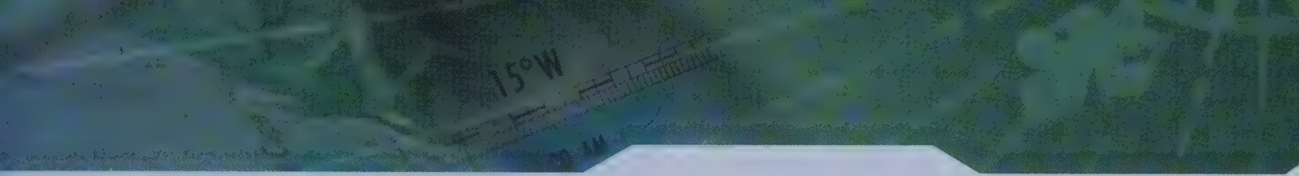
We currently achieve 60% of our sales in the mining and minerals industry, 25% in the industrial and municipal environmental sectors, and the balance, mostly in chemicals and food. Some 60% of our sales come from North America, 15% from Europe and 25% from developing countries, which we serve mainly from our European centres.

In the United States, project activity in the minerals area has slowed recently. However we have a very large installed base and our efforts are focused to ensure we provide our customers with the services needed to optimize their operations. Our most promising market in North America is the environmental sector. Back in the early 1990s, Dorr-Oliver decided to withdraw from this important market. New companies were created to fill the vacuum. Among them was Environmental Equipment & Systems, in Connecticut, which rapidly became a leader in the design of process equipment for wastewater and water treatment. We came full circle by acquiring this company last year.

With this acquisition, we integrated a new customer base in the United States, including several large municipalities, along with a leading-edge technology for industrial and municipal waste treatment that is complementary to the industrial environmental technologies we already had. We also joined forces with a highly-skilled, experienced team. With the backing of GL&V/Dorr-Oliver's financial resources and international network, they tripled their sales within one year. Given the results so far, we expect a favourable response from the U.S. marketplace to GL&V/Dorr-Oliver's return to the environmental sector.

We will also strive to adapt our environmental technologies to the European market, while strengthening the former Dorr-Oliver's traditional business in minerals and chemicals in both North America and Europe.

As for major capital projects in the minerals area, our growth will come mostly from developing countries. With our competitive cost structure we are well positioned to participate in the growth and investment taking place in these regions. For example, we are currently very active in the alumina industry in China and India. We will also focus on harnessing the significant potential of the mining industry in South America, mostly, Chile and Brazil, and the precious metals and minerals industry in South Africa.



Greg Bruyea
President,
Process Group

Bart Yule
Vice-President and General Manager,
GL&V/Dorr-Oliver Canada Inc.

WHAT ARE YOUR OBJECTIVES AND OUTLOOK FOR FISCAL 2002?

We foresee slightly lower sales than in fiscal 2001 due to the fact that last year, after we sold the starch business to Alfa Laval, we continued to supply them for several months. In spite of challenging market conditions, we are well positioned to develop our markets and continue increasing our profitability, with an excellent technological portfolio, a global presence, highly skilled human resources, a qualified service team and competitive costs.

Now that we have positioned GL&V/Dorr-Oliver to reclaim its leadership in mineral and environmental processing technologies, and after the major transition we have just completed, we can really start to build upon our base. We will continue to develop and further integrate our skills around the world, improve products, increase our presence in spare parts and other aftermarket services, and tightly manage costs. We will also focus on acquiring businesses that will help to broaden our technological platform, expand our industrial and geographical markets, and thereby increase our critical mass in our major target markets.

GL&V Manufacturing Inc.

GL&V Manufacturing Inc. is GL&V's largest manufacturing unit, with close to $30 million in sales.

Review of Operations

Michel Gélinas
Vice-President
General Manager
GL&V Manufacturing Inc
Trois-Rivières, Quebec

Christianne Précourt
Production Manager
GL&V Manufacturing Inc.
Trois-Rivières, Quebec

Based in Trois-Rivières, Quebec, this wholly-owned subsidiary specializes in the machining, manufacturing and mechanical assembly of heavy equipment, primarily for the pulp and paper and energy sector and various industrial markets. In addition to serving an important external customer base in Canada and the United States, it meets some of the manufacturing needs of GL&V's Pulp and Paper Group and Process Group.

Gino Clermont
Quality Control Responsible
GL&V Manufacturing Inc.
Trois-Rivières, Quebec

Interview with Michel Gélinas, Vice-President and General Manager, and Christianne Précourt, Production Manager of GL&V Manufacturing Inc.

DID YOU ALSO ACHIEVE GROWTH IN FISCAL 2000-2001?

We increased our sales by 5.6% and our earnings by 10.6% last year. This performance was supported by two key factors. First, as part of restructuring the Pulp and Paper and Process Groups' manufacturing operations, we took on some of their outsourcing. These two groups accounted for 20% of our revenues last year, compared with an average of 5% in previous years. We expect this proportion to reach 25% in 2002. We created positive synergies with the Pulp and Paper Group and the Process Group, both for the manufacturing of several of their flagship Black Clawson-Kennedy, Celleco, Beloit, Impco, Jones, Dorr-Oliver and Hydra Sizer trademark products, and for the training they provide to our employees.

We also had a banner year in the energy sector. As we all know, there is currently an electricity shortage in the United States, and demand is brisk for power station construction and refurbishing projects. Among other things, we supplied turbine components for several cogeneration plants in Texas last year. Our revenue sources are therefore better balanced, with about 40% coming from hydroelectric and cogeneration facilities, 50% from pulp and paper, and 10% from other industrial sectors. To meet the demand, we purchased new machinery, including some of the equipment of the Beloit units acquired by GL&V last year.

WHAT IS YOUR OUTLOOK FOR FISCAL 2002?

In spite of more difficult conditions in the pulp and paper industry, we foresee another good year in the energy sector, which will definitely be one of our major growth sources for the next five years. Since the beginning of the current fiscal year, we have landed contracts worth a total of $7.4 million to manufacture some 15 turbine capacitors for nine cogeneration plants, including two in Indiana, two in New Jersey, one in North Carolina, one in Georgia, one in Texas and two in Ontario. Close to 80% of the revenues from these contracts will be recorded in the current fiscal year.

As for the pulp and paper industry, we are working on a long-term partnership with the Pulp and Paper Group to supply all of their pulping equipment repair services in Eastern Canada. We also hope to sign such agreements with pulp and paper manufacturers in Quebec and Ontario. Lastly, we should point out that we have a significant spare parts business, a more stable market that accounts for close to a third of our revenues.

So we are confident about the next few years, especially since we have solid operating efficiencies. What's more, we have the capability to respond quickly to our customers' needs by providing them with competitive solutions, sound knowledge of their technologies and rigorous quality control.

Market-Responsive Expertise, Backed by a World-Class Organization

Albia

Beloit-Jones

Beloit-Lenox

Black Clawson-Kennedy

Canron

Celleco

Dorr-Oliver

Hedemora

Impco

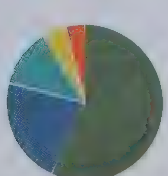
LaValley

National Refiner Plate

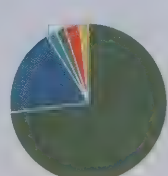
Sandy Hill

Over the last three fiscal years, GL&V has invested $80 million in business acquisitions that have brought a major contribution to its sales growth, its portfolio of patented equipment and recognized trademarks, and its status among the world-class suppliers of equipment for the pulp and paper industry as well as other sectors such as mining and minerals, food and chemicals, energy and the environment. Whereas GL&V's business was concentrated mostly in Canada five years ago, the Company today achieves 78% of its sales outside the country: 57% in the United States, and 21% in Europe and other parts of the world.

GEOGRAPHIC DISTRIBUTION OF REVENUES



SECTORIAL DISTRIBUTION OF REVENUES



Within less than three years, GL&V has become the No. 1 supplier of equipment for the pulp and paper industry in North America and the No. 5 worldwide, and now ranks No. 3 internationally in process equipment for separating liquids and solids.

Social Report

Graham Lawes
Managing Director
Sandton, South Africa

Abhay Warhadpande
Area Manager
Pune, India

Lisa McGunagle
Human Resources Manager
Lawrenceville, Georgia

Marc Barbeau
Director, Tax Matters
and Administration
Montreal, Quebec

Marc Foulger
Director, Research
and Development
Watertown, New York

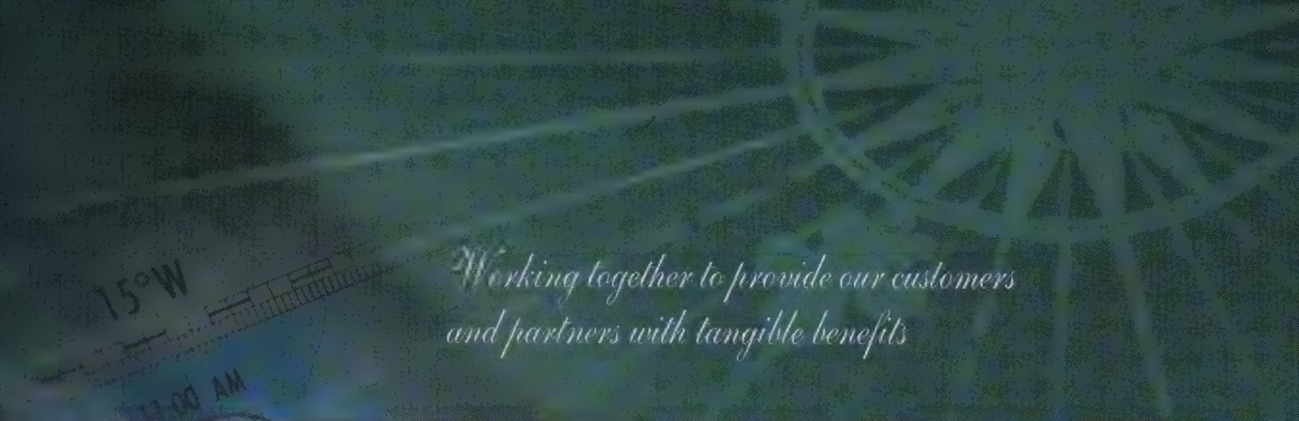
GL&V recognizes that its success depends on the commitment and talent of its employees working together as a team to provide customers with added value and tangible benefits. One of our strategic priorities is therefore to maintain and promote a motivating, equitable, respectful and harmonious working environment.

GL&V's workforce has grown dramatically in the last three years, rising from 800 to some 1,400 employees. Today the Company benefits from a top-quality team and a solid succession for the next 20 years.

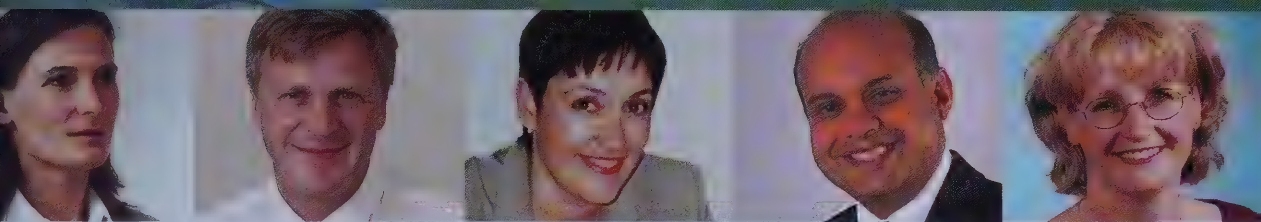
Over the past two fiscal years, we have undertaken to consolidate and standardize all of our human resources management policies and practices throughout our international network, based on the following guidelines:

- GL&V wishes to attract and retain people who want to make a difference and really work hard to win and be successful.
- GL&V encourages individual initiative and creativity, but mostly promotes team work and accomplishments. We believe in continuous communication throughout the organization and between all hierarchical levels.
- GL&V treats its employees fairly, competitively and equitably. We deal with our employees with the highest level of integrity and expect the same from them.
- GL&V fully complies with the principles of employment equity and prohibits any form of discrimination based on race, religion, ethnic origin, sex, sexual orientation, age or handicap.

These principles led to a series of actions last year, including the implementation of an executive compensation program designed to promote entrepreneurship and the achievement and exceeding of objectives. In addition, a Worldwide Business Conduct Policy was drawn up and distributed throughout the organization to serve as a guide to all GL&V employees, managers, officers, directors, agents and consultants. This Policy clearly sets forth the Company's basic principles and guidelines in regard to employment equity and employee respect, workplace health and safety, professional and personal ethics, relations with suppliers and customers, international commerce and the safeguarding of GL&V's corporate assets, including trademarks and trade secrets. Every quarter, each of the Company's business centres sends senior management a report to be submitted to the Board of Directors, attesting to whether or not the various policies and procedures have been complied with.



Working together to provide our customers and partners with tangible benefits



arilyn Rousselot
ontroller
orcy, France

Roland Nilsson
Manager, Spare Parts
Sales & Service
Stockholm, Sweden

Svetlana Vinogradova
Head of Representative Office
St. Petersburg, Russia

Mohseen I. Hatia
Managing Director
Campinas SP, Brazil

Chantal Rochette
Manager, Industrial
Products Division
Trois-Rivières, Quebec

GL&V recognizes the importance of preserving the environment, conserving global resources and protecting human health.

Consistent with our Worldwide Business Conduct Policy, each division has an obligation to comply with the various national, state and local environmental laws and regulations in force in all of the countries in which we operate. Managers have a special responsibility toward environmental, health and safety risks and standards. Every quarter, they are required to report in this regard to the Company's senior officers and directors to ensure that no employee conduct is having an adverse impact on the environment or human health.

GL&V recognizes its social responsibilities to the communities in which it operates.

In this regard, the Company has a formal policy that consists in paying 1% of average net earnings for the last five years to various social and charitable causes in the areas of health, education, culture, sports and community work. We also encourage our employees to personally contribute to particular causes by matching their donations. For instance, employees from some subsidiaries and GL&V together donated US$10,000 to victims of last year's India earthquake disaster.

Our next objective with regard to human resources will be to standardize our succession plan and training practices. We are in the process of setting up a succession plan and have carried out a comprehensive review of our operations to identify high-potential employees and to draw up appropriate training programs. Concurrently, we are recruiting external personnel with leading-edge expertise, especially in sales and marketing, who will bring synergy and added value to our current organization.

Management's Discussion and Analysis of Operating Results and Financial Position

GL&V achieved a record financial performance in 2000-2001, as a result of the previous year's acquisitions and their efficient integration, combined with sustained development by our various subsidiaries.

Operating Results

Sales

For the fiscal year ended March 31, 2001, GL&V's **revenues** increased by 73% or more than $172 million to total $407.5 million, up from $235.4 million for fiscal 1999-2000. Sales growth for the last fiscal year can be attributed mainly to the following factors:

- The contribution for the entire year, as opposed to one month in the previous fiscal year, of the two Beloit business units acquired on February 25, 2000. Their integration contributed to a more than $125 million or 76% increase in the Pulp and Paper Group's revenues.

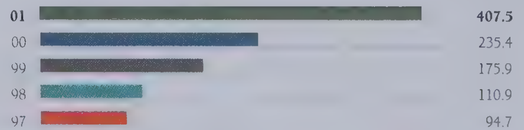
- The contribution for the entire year, as opposed to six months in the previous fiscal year, of the Dorr-Oliver Group, of which GL&V acquired all of the shares on September 15, 1999. These business units contributed to a $25 million or 33% increase in the Process Group's revenues, despite its divestiture of the starch centrifugation assets on December 21, 1999.

- The acquisition of three other companies in the second half of fiscal 2000 and during fiscal 2001, namely National Refiner Plate Company (December 1999), Environmental Equipment & Systems, Inc. (June 2000), which was integrated into GL&V/Dorr-Oliver, and ADDAX Australia Pty. Ltd. (September 2000).

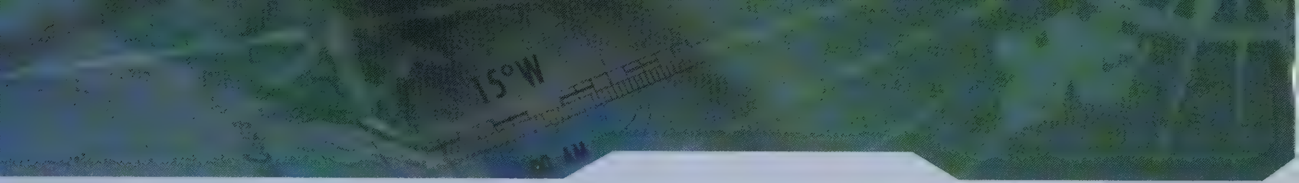
Considering the major acquisitions made in the previous fiscal year, revenue growth was strongest in the first half of the year, as the full contribution by these companies boosted our sales by 149%. Despite a more difficult business environment in the second half of the year, revenues grew by 32% thanks to the contribution of the Beloit units and the gradual recapturing of Beloit's and Dorr-Oliver's abandoned markets.

Some 78% of revenues for the last fiscal year came from customers outside Canada. Sales generated by clients in the United States more than doubled to account for 57% of the Company's business. Revenues from Canadian customers grew by 37%, while those from European customers and other geographical markets rose 23% to account for 21% of consolidated revenues.

REVENUES
(in millions of $)



Compound annual growth: 44.0%



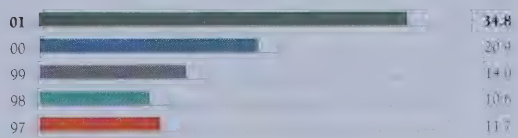
William Saulnier
Vice-President,
Finance and Administration

Pierre Lépine
Vice-President,
Corporate Development

Profitability

GL&V's **gross profit** rose 63.5% to $96.4 million, up from $59.0 million in fiscal 1999-2000. The gross profit margin therefore stood at 23.7% in 2000-2001, compared with 25% in 1999-2000. The decline in the gross profit margin in the last fiscal year was mainly due to the integration of the Beloit and Dorr-Oliver units, whose profitability was gradually turned around throughout the year. Thus the gap between fiscal 2001 and 2000 gross margins shrank from one quarter to the next, to finally be reversed in the fourth quarter as we posted a gross margin of 25.9% versus 23.7% in the previous fiscal year. GL&V's gross margin in recent months has also benefited from the relatively greater proportion of spare parts in the sales mix.

EBITDA
(in millions of $)



Compound annual growth: 31.4%

GL&V achieved **earnings before interest, income taxes, depreciation, amortization and non-controlling interest (or "EBITDA")** of $34.8 million, up 67% over $20.9 million in fiscal 2000. The units acquired from Beloit and Dorr-Oliver in 1999-2000 contributed significantly to the growth in operating income, yielding a return on investment of 44% and 63% respectively for the last fiscal year. Among other things, Dorr-Oliver worldwide's operating profit margin has almost doubled since these operations were integrated, while that of Beloit, which was negative at the acquisition date, has almost reached the same level as Dorr-Oliver.

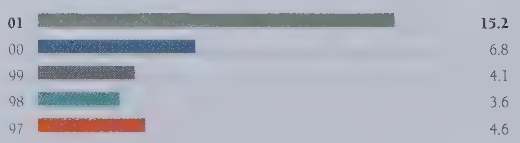
The EBITDA margin stood at 8.5% last year, compared with 8.9% in the previous fiscal year due partly to the aforementioned factors, mostly the gradual turnaround in profitability by the acquired units. In the fourth quarter moreover, we incurred substantial costs in starting up GL&V Pulp and Paper Europe Group subsequent to the January 15, 2001 merger of our proprietary rights with those of Enertec, S.A., a subsidiary of the COINPASA Group. It should also be noted that we expensed some of the costs connected with the restructuring and integration of the entities acquired the previous year. Notwithstanding these factors, we strictly controlled our selling, administrative and product development expenses, which decreased as a percentage of sales.

Financial expenses rose 58% from $3.6 million to $5.7 million due to the debt financing raised for the 1999-2000 acquisitions, of which an important proportion was repaid during the year however. Conversely, our **effective tax rate** was lowered from 32.1% to 30.3%. In the last fiscal year, we centralized our taxation management to take advantage of our international corporate structure, and thereby achieve tax savings both in North America and worldwide.

Lastly, we recorded a net amount of $452,000 in non-controlling interests. This represents COINPASA's 50% share in the loss associated with the start-up of our new European joint venture, and the 35% share in the net earnings of GL&V Manufacturing Inc. held by a partner until December 4, 2000, when GL&V acquired its interest.

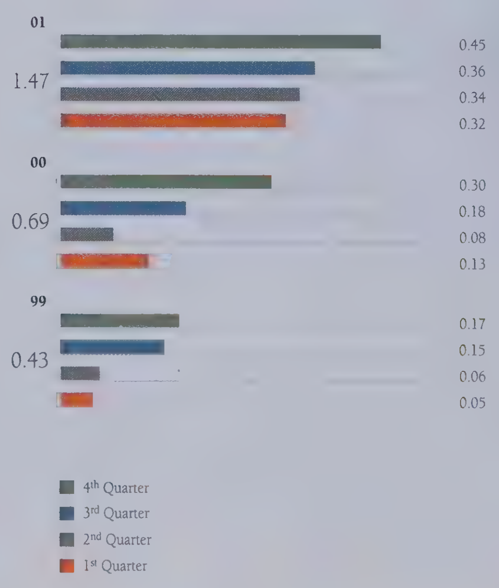
GL&V therefore closed fiscal 2001 with **net earnings** of $15.2 million, up 123% over the net earnings of $6.8 million for fiscal 2000. **Earnings per share ("EPS")** went from $0.82 (or $0.69 fully diluted) on a weighted average of 8.3 million shares outstanding in 1999-2000, to $1.60 ($1.47 fully diluted) on 9.5 million shares in 2000-2001. This represents growth of 113% on a fully diluted basis. The increase in the weighted average number of shares mainly reflects the conversion during the first quarter of the balance of the convertible subordinate debentures still outstanding. As shown in the following graph, GL&V's quarterly fully diluted earnings per share have grown steadily over the past three years. In the fourth quarter of the last fiscal year, fully diluted EPS rose to an all-time high of $0.45.

NET EARNINGS FROM CONTINUING OPERATIONS
(in millions of $)



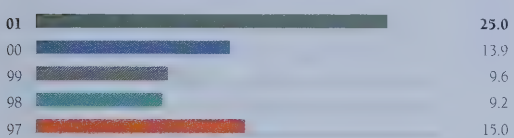
Compound annual growth: 35.6%

QUARTERLY FULLY DILUTED EARNINGS PER SHARE
(in $)



Finally, GL&V delivered a 25% return on average equity in the last fiscal year, one of the best performances in our sector.

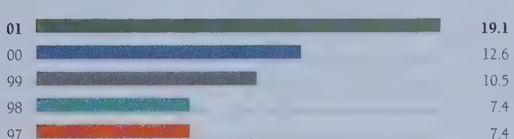
RETURN ON SHAREHOLDERS' EQUITY
(in %)



PRINCIPAL CASH FLOWS

Cash flows from operations totalled $19.1 million or $2.01 per share ($1.84 fully diluted) for the last fiscal year, showing a 52% growth compared with those for the previous fiscal year, which amounted to $12.6 million or $1.54 per share ($1.26 fully diluted).

CASH FLOWS FROM OPERATIONS
(in millions of $)



Compound annual growth: 27.0%

After net changes in non-cash operating working capital items, GL&V generated **available cash** of $19.3 million, compared with $3.3 million in the previous fiscal year. We also collected proceeds of $15.1 million on the **disposal of various assets**, most of which related to the companies acquired the previous year. We wish to emphasize that this strategy, which has been part of GL&V's expansion-by-acquisition program for the last several years, aims at focusing on our core business, increasing our operational flexibility, reducing our fixed costs and improving our return on assets.

In fiscal 2000-2001, principal proceeds on the divestiture of assets were as follows:

- $6.6 million on the disposal of capital assets, primarily machinery, equipment, land and buildings acquired from Dorr-Oliver and of various operating subsidiaires;
- $6.5 million on the disposal of other assets related to the Beloit acquisition;
- $1.0 million on the divestiture of our 50% interest in GL&V Hydrogen Technologies Inc., on which we realized a $0.5 million gain; and
- $1.0 million on the disposal of long-term investments.

The combination of these proceeds and available operating cash flows, for a total of $34.4 million, enabled GL&V to repay $16.1 million in loans and to meet its other funding requirements, including the **purchase of various capital assets** for $8.9 million, and **business acquisitions** for an amount of $6.2 million. The acquisitions were the following:

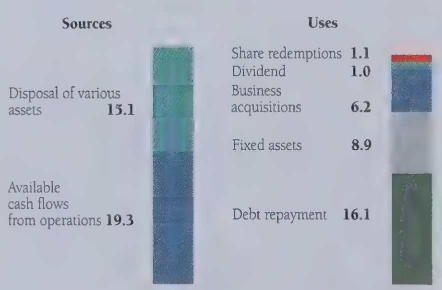
- the acquisition on June 16, 2000, of the assets of Environmental Equipment & Systems, Inc. (Connecticut, United States) for approximately $1.0 million;
- the acquisition on September 19, 2000, of the assets of ADDAX Australia Pty. Ltd. (Melbourne, Australia), for a consideration of $0.4 million; and
- the acquisition on December 4, 2000, of the 35% interest held by the Fonds de solidarité FTQ in GL&V Manufacturing, for a consideration of $4.4 million.

In addition, on November 6, 2000, GL&V paid a **special dividend** of $0.10 per share on its Class A voting shares and Class B shares, for a total of $1.0 million. Subsequent to the renewal of its **normal course issuer bid**, GL&V also redeemed, for cancellation, 146,800 subordinate voting shares and 9,200 Class B shares, for a total consideration of $1.1 million. Within the last two fiscal years, GL&V has redeemed some 300,000 shares, primarily Class A shares. In the opinion of the Board of Directors, these purchases represent an appropriate use of the Company's available funds.

Finally, on May 19, 2000, GL&V converted the remaining convertible subordinate debentures issued in 1993, of which approximately $5 million were still outstanding, into subordinate voting shares. The transaction gave rise to the issue of 1.4 million shares at a price of $3.75 per share, while an amount of $0.1 million was redeemed in cash.

After accounting for these various cash inflows and outlays, GL&V ended fiscal 2001 with a **cash position** comparable to the end of the previous fiscal year, consisting of $15.8 million in cash and cash equivalents.

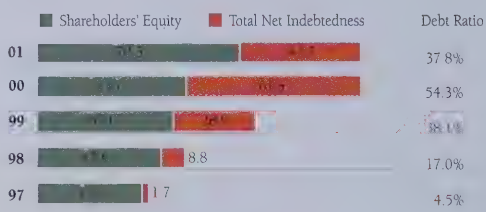
PRINCIPAL SOURCES AND USES OF FUNDS
(in millions of $)



Financial Position

Cash flows and asset disposals for the last year strengthened GL&V's financial position. We reduced our **total net indebtedness** by 30% or $18.6 million, while closing the fiscal year with cash and cash equivalents of almost $16 million. **Long-term debt** (including the current portion) decreased by $13.3 million and we eliminated the $5.2 million liability component of the convertible subordinate debentures following their conversion into Class A subordinate treasury shares worth $5.7 million. This conversion along with the year's net earnings contributed to a 36% increase in **shareholders' equity**, which rose from $51.7 million as at March 31, 2000, to $70.3 million as at March 31, 2001. The **total net indebtedness to total invested capital ratio** (i.e., total net debt plus shareholders' equity) was therefore reduced to 37.8% at the close of the last fiscal year, down from 54.3% one year earlier.

CAPITAL STRUCTURE
(in millions of $)



GL&V's **working capital** rose 18% to $55.7 million for a current ratio of 1.62:1 at the end of the last fiscal year, compared with $47.1 million for a ratio of 1.54:1 one year earlier. **Total assets** amounted to $231.2 million as at March 31, 2001, up slightly over March 31, 2000, due mainly to the growth in working capital.

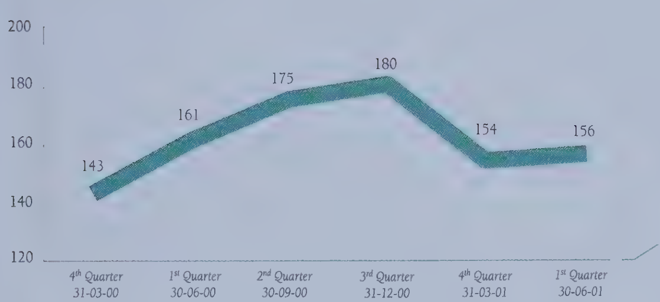
Event Subsequent to Year-End

On April 3, 2001, GL&V acquired the operations of E.L.P. Products Inc., a Calgary, Alberta based company specializing in the manufacture of high-wear spare parts, more specifically pulp washers. Concluded for a cash consideration of $0.8 million, the acquisition of this 30-year-old, historically profitable business enhances GL&V's presence in Western North America and offers promising growth potential through GL&V's worldwide network.

OUTLOOK, REQUIREMENTS AND SOURCES OF FUNDS IN 2001-2002

For the fiscal year ending March 31, 2002, we expect to grow our results by 8% to 12%, which will be derived in part from internal growth and in part from our ongoing acquisition program. We hope more specifically to acquire, at prices consistent with our return criteria, small or medium-sized companies with products and services complementary to our core business. Although economic conditions are currently difficult in North America, we expect to improve our profitability, due to the fact that we will benefit for the entire year from the synergies stemming from the now almost completed integration of our recent acquisitions. In mature markets such as North America and Europe, we will focus largely on spare parts sales and customer service, which offer recurring revenues and interesting marginal contributions.

ORDER BACKLOG
(in millions of $)



As an indication, although our total backlog has decreased since December 2000, mainly due to the slowdown in capital spending by pulp and paper manufacturers, our spare parts orders have increased.

We will continue to optimize our outsourcing costs by strengthening our network. We also intend to lower our financial expenses by further reducing indebtedness with our cash flows and the sale of other non-strategic assets. In addition, we will continue to optimize our taxation and cash management and plan to further centralize various other strategic functions such as purchasing management, inventories and the distribution of spare parts, where considerable savings could be realized.

With its available cash and cash equivalents, cash flows from operations and the disposal of various assets, GL&V will be able to meet its regular funding requirements in 2001-2002, including the purchase and maintenance of the capital assets needed for its operations, business acquisitions, debt servicing and the ongoing normal course issuer bid. As at March 31, 2001, the Company also had an unused bank line of credit of $35 million. As for dividends, GL&V's Board of Directors is to assess every year the relevance of paying a dividend in light of the Company's investment and acquisition projects, financial ratio objectives and available cash and cash equivalents.

William Saulnier
Vice-President, Finance and Administration
June 2001

Directors and Officers

Directors

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer
of GL&V

Claude Boivin (1) (2)
Director of Corporations

Jean-Pierre De Montigny (1)
President and Chief Operating Officer,
Desjardins Securities

Jean Desbiens
Director of Corporations

Robert Dorion (1)
Partner, Desjardins Ducharme Stein Monast
Law Firm

Louis Laperrière (2)
President and Chief Executive Officer,
HMI Construction Inc.

Bernard Lemaire
Chairman of the Board,
Cascades Inc.

Pierre Monahan (1)
President and Chief Executive Officer,
Alliance Forest Products Inc.

William Saulnier
Vice-President, Finance and Administration
of GL&V

Gérald Tremblay (2)
President, Continuing Education Centre,
École des Hautes Études Commerciales

(1) Member of the Audit Committee
(2) Member of the Corporate Governance and Human Resources Committee

Officers

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

Greg Bruyea
President,
Process Group

Robert Harrison
President,
Pulp and Paper Group

Pierre Lépine
Vice-President,
Corporate Development

William Saulnier
Vice-President, Finance and Administration

Richard Verreault
Senior Vice-President,
Pulp and Paper Group

Bart Yule
Vice-President and General Manager,
GL&V/Dorr-Oliver Canada Inc.

Management's Report

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal control.

The external auditors, KPMG LLP conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

Laurent Verreault
President and Chief Executive Officer

William Saulnier
Vice-President, Finance and Administration
Trois-Rivières, May 18, 2001

Auditors' Report to the Shareholders

We have audited the consolidated balance sheet of Groupe Laperrière & Verreault Inc. as at March 31, 2001 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at March 31, 2000 and for the year then ended were audited by another firm of chartered accountants who expressed an unqualified opinion on those statements in their report, dated May 19, 2000.

KPMG LLP

Chartered Accountants
Montréal, Canada
May 18, 2001

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended March 31, 2001 and 2000 (in thousands of dollars, except for per share amounts)	2001	2000
Revenues	**$ 407,465**	$ 235,440
Cost of contracts and goods sold	**311,023**	176,472
	96,442	58,968
Selling expenses	**34,436**	22,062
Administrative expenses	**30,742**	19,483
Financial expenses	**5,737**	3,629
Research and development costs	**4,311**	2,902
	75,226	48,076
Earnings before provision for income taxes and non-controlling interest	**21,216**	10,892
Provision for income taxes (note 8):		
Current	**9,338**	2,955
Future	**(2,913)**	546
	6,425	3,501
Earnings before non-controlling interest	**14,791**	7,391
Non-controlling interest	**452**	(554)
Net earnings	**$ 15,243**	$ 6,837
Earnings per share:		
Basic	**$ 1.60**	$ 0.82
Fully diluted	**$ 1.47**	$ 0.69
Weighted average number of participating shares outstanding (in thousands)	**9,532**	8,305

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended March 31, 2001 and 2000 (in thousands of dollars)	2001	2000
Retained earnings, beginning of year:		
As previously reported	**$ 31,821**	$ 25,178
Restatement of retained earnings pertaining to the application of Section 3465 of the CICA Handbook (note 2)	**(809)**	–
As restated	**31,012**	25,178
Net earnings	**15,243**	6,837
	46,255	32,015
Dividends	**967**	–
Debenture issue expenses (note 15)	**111**	10
Premium on share redemption (note 16)	**607**	184
	1,685	194
Retained earnings, end of year	**$ 44,570**	$ 31,821

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2001 and 2000 (in thousands of dollars)	2001	2000
Cash flows from operating activities:		
Net earnings	**$ 15,243**	$ 6,837
Adjustments for non-cash items (note 19)	**3,879**	5,778
Net change in non-cash working capital balances (note 20)	**175**	(9,341)
	19,297	3,274
Cash flows from financing activities:		
Repayment of long-term debt	**(16,101)**	(14,855)
Redemption of debentures	**(105)**	–
Issue of Class A subordinated shares	**43**	–
Redemption of shares	**(1,083)**	(575)
Dividends	**(967)**	–
Increase in long-term debt	**–**	56,636
	(18,213)	41,206
Cash flows from investing activities:		
Net change in temporary investments	**(140)**	3,921
Acquisition of long-term investments	**(563)**	(614)
Proceeds on disposal of long-term investments	**1,005**	354
Purchase of fixed assets	**(8,899)**	(2,599)
Proceeds on disposal of fixed assets	**6,570**	3,264
Net change in other assets	**6,479**	(767)
Business acquisitions (note 3)	**(6,212)**	(61,908)
Disposal of businesses (note 3)	**1,011**	22,778
Discontinued operations	**–**	4,279
	(749)	(31,292)
Effect of translation adjustments on cash and cash equivalents	**(365)**	(353)
Net (decrease) increase in cash and cash equivalents	**(30)**	12,835
Cash and cash equivalents, beginning of year	**15,793**	2,958
Cash and cash equivalents, end of year	**$ 15,763**	$ 15,793
Supplemental information:		
Net interest paid	**$ 5,303**	$ 3,738
Income taxes paid	**10,637**	2,992

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

March 31, 2001 and 2000 (in thousands of dollars)	**2001**	2000
ASSETS		
Current assets:		
Cash	**$ 3,991**	$ 10,261
Temporary investments, at cost (note 4)	**11,912**	5,532
Accounts receivable (note 5)	**83,462**	78,389
Inventories (note 6)	**35,433**	26,644
Contracts in progress, less progress billings (note 7)	**–**	10,109
Prepaid expenses	**2,090**	3,617
Future income taxes (note 8)	**9,057**	–
	145,945	134,552
Long-term investments (note 9)	**5,669**	6,799
Fixed assets, net (note 10)	**58,857**	61,791
Other assets (note 11)	**20,739**	22,765
	$ 231,210	$ 225,907
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 78,063**	$ 82,844
Income taxes payable	**2,100**	1,565
Progress billings in excess of contracts in progress (note 7)	**7,366**	–
Future income taxes (note 8)	**1,679**	45
Current portion of long-term debt (note 13)	**1,048**	2,956
	90,256	87,410
Long-term debt (note 13)	**57,588**	68,953
Other liabilities (note 14)	**7,539**	7,575
Future income taxes (note 8)	**2,406**	745
Liability component of convertible subordinated debentures (note 15)	**–**	5,243
Non-controlling interest	**3,106**	4,262
Shareholders' equity:		
Equity component of convertible subordinated debentures	**–**	576
Share capital (notes 15 and 16)	**25,775**	20,489
Retained earnings	**44,570**	31,821
Cumultive translation adjustment	**(30)**	(1,167)
	70,315	51,719
Commitments (note 23)		
Contingencies (note 24)		
	$ 231,210	$ 225,907

See accompanying notes to consolidated financial statements.

On behalf of the Board,

Laurent Verreault

Laurent Verreault
Director

William Saulnier

William Saulnier
Director

The Company, whose head office is in Trois-Rivières, Québec, was incorporated under Part 1A of the Companies Act (Québec). Its main activity is to design, manufacture, rebuild, assemble and install equipment used by various industries.

1. Significant accounting policies:

a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and all of its Canadian and foreign subsidiaries. These subsidiaries are fully owned except for:

- GL&V Manufacturing Inc. – 65% owned until December 2000 and 100% thereafter
- GL&V Pulp and Paper Europe Group APS – 50% owned. The accounts of this subsidiary are consolidated since the Company holds effective control of its operations.

b) Cash and cash equivalents:

Cash equivalents are restricted to investment having an initial term of three months or less from the acquisition date and are presented at cost which approximates market value.

c) Foreign currency translation:

The financial statements of self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Differences resulting from this translation are deferred and recorded under a separate heading of shareholders' equity and are only included in earnings when there has been a reduction in the investment in these foreign operations.

Transactions in foreign currencies are translated using the temporal method. Exchange gains and losses are included in earnings, except for unrealized gains and losses resulting from the translation of long-term monetary items which are deferred and amortized over the remaining term of the related item.

d) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of the assets and liabilities reported and the related revenue and expense items. The material sections of the financial statements which require the use of estimates include the determination of future costs related to contracts in progress, warranty and environmental provisions, the useful life of assets for the purposes of computing amortization and the evaluation of the impairment of assets, provision for income taxes and the determination of the fair value of financial instruments. Consequently, it is possible that changes in future conditions in the near term could require a change in the recognized amount.

e) Derivative financial instruments:

The Company carries on its operations principally in North America and Europe.

The Company is exposed to market risks relating to currency fluctuations. To reduce these risks, it uses derivative financial instruments, such as forward exchange contracts. It does not hold or issue any derivative financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In management's opinion, none of the parties to the existing financial instruments is expected to default on their obligations since they are large multinational financial institutions.

Gains and losses on forward exchange contracts used to hedge future income are recorded in the statement of earnings in the same year and under the same heading as the revenues arising from the corresponding positions.

f) Inventories:

Raw materials are recorded at the lower of average cost and replacement cost. Inventories of finished goods are recorded at the lower of average cost and net realizable value.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

g) Contract revenue and contracts in progress:

The Company uses the completed contract method to record contract revenue other than revenue from long-term contracts for which it uses the percentage-of-completion method. The percentage of completion is determined using the cost-to-cost method, which consists in comparing the costs incurred over total expected costs according to the Company's estimates. The full amount of losses is recorded once they can be estimated. Contracts in process are valued considering direct labour, materials and overhead costs plus any estimated gain on such costs. Progress billings are presented as a reduction of the costs incurred on the contracts in progress.

h) Long-term investments:

Investments in companies subject to significant influence are carried at equity value and other long-term investments are carried at cost. In the event of a decline in value which is considered to be other than temporary, the investment is written down to its estimated value and the loss is charged to earnings.

i) Fixed assets:

Fixed assets are recorded at cost. Amortization is provided for using the straight-line method over the following periods:

Assets	Period
Landscaping, paving and fences	10 years
Buildings	20 years
Equipment, furniture and fixtures	5 to 10 years
Molds	10 years
Experimental equipment	20 years
Computer hardware and software	3 and 10 years
Automotive equipment	3 years
Leasehold improvements	Term of leases

j) Deferred government assistance and investment tax credits:

Deferred government assistance and investment tax credits relating to fixed assets and development costs are recorded using the cost reduction method and amortized on the same basis as the related assets.

k) Other assets:

Goodwill, which represents the excess of the costs of acquisition over the fair value of the net assets acquired, is amortized on a straight-line basis over a period which does not exceed 20 years. It is evaluated periodically for any impairment in value. This consists of a review of all the facts and circumstances which have contributed to a decline in value. Any permanent impairment in the carrying value of the recorded goodwill is charged to earnings.

Intellectual property and patents are recorded at cost and are amortized on a straight-line basis over a period of 10 years.

Research and development expenses include costs relating to specific projects, net of income tax credits, which, in the Company's opinion, have a specific market in the future. These expenses are deferred and amortized on a straight-line basis over a period of three to five years. All other research and development expenses are expensed in the year they are incurred.

Deferred financing costs are recorded at cost and amortized on a straight-line basis over the term of the financing agreement. Amortization is included in interest expense.

l) Pension plans:

The Company maintains defined benefit pension plans which cover certain employees.

Under the provisions of the defined benefit pension plans, employees will receive pensions based on length of service, annual salary and average earnings. The cost of the pension plans is determined according to actuarial valuations.

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m) Stock option plans:

The Company has granted stock options under its compensation plans for officers, senior managers and directors which are described in note 18. No expense is recognized at the time the stock options are granted. Payments received in connection with options exercised are credited to share capital.

n) Earnings per share:

Earnings per share have been calculated using the weighted average number of shares outstanding during the year.

Fully diluted earnings per share have been calculated assuming that subordinate debentures and stock options outstanding at the end of the year had been converted or exercised at the later of the beginning of the year or the date of issuance.

2. CHANGE IN ACCOUNTING POLICY:

On April 1, 2000, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") new standards on accounting for income taxes. The standard requires a change from the deferred method of accounting for future income taxes to the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period during which substantive enactment or enactment occurs.

The Company has adopted these standards retroactively without restatement of the 2000 comparative figures. The cumulative effect of this change in accounting policy results in a decrease of $809,000 in the opening retained earnings on April 1, 2000.

3. BUSINESS ACQUISITIONS:

Business acquisitions are accounted for using the purchase method. Accordingly, the allocation of the purchase price to assets and liabilities is based on their fair value.

The results of operations are included in the consolidated financial statements from the date of acquisition.

The following table summarizes the net assets acquired or sold during the past two years:

	2001		2000	
	Net assets acquired	**Net assets sold**	Net assets acquired	Net assets sold
Current assets	**$ 2,363**	**$ 319**	$ 74,360	$ 12,661
Fixed assets	**–**	**7**	24,145	1,447
Goodwill	**2,294**	**–**	23,870	12,267
Other assets	**3,111**	**639**	5,631	470
	7,768	**965**	128,006	26,845
Current liabilities	**(2,215)**	**–**	(60,598)	(4,067)
Long-term debt and other liabilities	**–**	**(484)**	(5,500)	–
Non-controlling interest	**659**	**–**	–	–
Net assets acquired or sold	**$ 6,212**	**$ 481**	$ 61,908	$ 22,778
Cash consideration paid (received)	**$ 6,212**	**$ (1,011)**	$ 61,908	$ (22,778)

Goodwill resulting from the allocation of the preliminary purchase price is based on the information available, and the evaluations are subject to revision if new facts become known. Goodwill for these acquisitions is amortized over a 20-year period.

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

3. Business acquisitions (continued):

a) Year ended March 31, 2001:

On June 16, 2000, the Company acquired the assets of Environmental Equipment & Systems, Inc. for a cash consideration of $997,390.

On September 19, 2000, the Company acquired the assets of ADDAX Australia Pty. Ltd. for a cash consideration of $371,950.

On December 4, 2000, the Company acquired the remaining 35% of the shares of GL&V-Manufacturing Inc. held by Fonds de solidarité FTQ for a cash consideration of $4,351,156.

On October 18, 2000, the Company sold its 50% interest in GL&V Hydrogen Technologies Inc. for a cash consideration of $1,010,700.

On January 15, 2001, the Company merged its intellectual property rights in Europe with those of ENERTEC, S.A., a subsidiary of COINPASA, Compania Internacional De Plantas Papeleras, S.A. The Company received certain assets and $878,472 from the non-controlling interest.

During the year, the Company finalized the purchase price allocation for certain acquisitions made during the course of the preceding year, which resulted in an increase in fixed assets of $1,823,000, a decrease in goodwill of $4,342,000, and an increase in working capital of $2,519,000.

The Company also agreed to a final adjustment for an acquisition made in the previous year resulting in the payment of $1,370,000, thereby increasing goodwill by an equivalent amount.

b) Year ended March 31, 2000:

On September 15, 1999, the Company acquired 100% of the shares of the companies in the Dorr-Oliver Group for a cash consideration of $33,792,449.

On December 20, 1999, the Company also acquired certain assets of National Refiner Plate Company for a cash consideration of $485,814.

On February 25, 2000, the Company acquired certain assets of two major divisions of Beloit Corporation for a cash consideration of $27,629,000.

On December 21, 1999, the Company sold certain assets relating to centrifuging equipment to manufacture starch, which it had acquired from the Dorr-Oliver Group, for a cash consideration of $22,778,000.

4. Temporary investments:

	2001	2000
Term deposits, 3.96% to 9% (4.2% to 10.7% in 2000) maturing at different dates until October 15, 2001	**$ 11,850**	$ 5,182
Other	**62**	350
	$ 11,912	$ 5,532

5. Accounts receivable:

	2001	2000
Trade accounts	**$ 73,856**	$ 69,982
Holdbacks on contracts	**2,764**	1,589
Other	**6,294**	6,547
Current portion of long-term investments	**548**	271
	$ 83,462	$ 78,389

The Company operates mainly in America and Europe. Approximately 56% of the trade accounts (43% in 2000) were related to the pulp and paper industry. The Company establishes a provision for doubtful accounts to cover the specific risk of its customers.

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

6. Inventories:

	2001	2000
Raw materials	$ 20,110	$ 12,410
Finished goods	15,323	14,234
	$ 35,433	$ 26,644

7. Contracts in progress and progress billings:

	2001	2000
Contracts in progress	$ 70,637	$ 66,021
Progress billings	(78,003)	(55,912)
	$ (7,366)	$ 10,109

8. Provision for income taxes:

The following table reconciles the difference between the international statutory tax rate, which corresponds to the weighted average of the Canadian and foreign statutory tax rates of the Company, and the effective tax rate used by the Company in the determination of its net earnings:

	2001	2000
International statutory tax rates	35.05%	35.40%
Increase (reduction) resulting from:		
Permanent differences	(4.67)	(3.85)
Loss carryforwards	(1.32)	–
Other	1.22	0.55
	(4.77)	(3.30)
Effective tax rate	30.28%	32.10%

The tax effects of significant items comprising the Company's net future tax assets and liabilities are as follows:

	2001
Future tax assets:	
Operating loss carryforwards	$ 1,020
Provision for employee compensation	640
Non deductible reserve for tax purposes	4,336
Other	4,579
Gross future income tax assets	10,575
Future tax liabilities:	
Differences between book and tax bases of fixed assets	3,274
Other	2,329
Gross future tax liabilities	5,603
Net future tax assets	4,972
Less current portion of future income tax assets	(9,057)
Plus current portion of future income tax liabilities	1,679
Net future tax liabilities	$ (2,406)

As at March 31, 2001, the Company had net operating loss carryforwards for income tax purposes of approximately $2,300,000 available to reduce future taxable earnings expiring from 2006 to 2011 for which a future tax asset has been recognized. Furthermore, the Company had an operating loss of $878,000 which can be carried forward indefinitely, for which a future tax asset was also recorded in the financial statements.

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

8. PROVISION FOR INCOME TAXES (CONTINUED):

The Company has not recognized a future tax liability for the retained earnings of its subsidiaries in the current and prior years because the Company currently does not expect the retained earnings to become taxable in the foreseeable future. A future tax liability will be recognized when the Company expects that it will recover the retained earnings in a taxable manner, such as through a receipt of dividends or a sale of the investments.

9. LONG-TERM INVESTMENTS:

	2001	2000
Investments in a company subject to significant influence	**$ 1,691**	$ 1,134
Investments, at cost:		
Shares of private companies	**1,679**	2,997
3.66% mortgage, receivable in annual instalments of $193,694, principal and interest, until January 2003	**367**	541
Other	**2,480**	2,398
	6,217	7,070
Current portion	**548**	271
	$ 5,669	$ 6,799

10. FIXED ASSETS:

			2001
	Cost	**Accumulated amortization**	**Net book value**
Land	**$ 6,172**	**$ –**	**$ 6,172**
Landscaping, paving and fences	**189**	**101**	**88**
Buildings	**43,539**	**13,806**	**29,733**
Equipment, molds, furniture and fixtures	**33,107**	**14,523**	**18,584**
Experimental equipment	**2,960**	**1,910**	**1,050**
Computer hardware and software	**6,998**	**4,308**	**2,690**
Automotive equipment	**1,246**	**852**	**394**
Leasehold improvements	**1,591**	**985**	**606**
Deferred government assistance and investment tax credits	**(1,101)**	**(641)**	**(460)**
	$ 94,701	**$ 35,844**	**$ 58,857**

			2000
	Cost	Accumulated amortization	Net book value
Land	$ 6,435	$ –	$ 6,435
Landscaping, paving and fences	170	92	78
Buildings	41,320	12,375	28,945
Equipment, molds, furniture and fixtures	51,949	30,968	20,981
Experimental equipment	4,333	969	3,364
Computer hardware and software	6,760	5,033	1,727
Automotive equipment	506	321	185
Leasehold improvements	1,450	880	570
Deferred government assistance and investment tax credits	(1,101)	(607)	(494)
	$ 111,822	$ 50,031	$ 61,791

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

11. Other assets:

	2001	2000
Goodwill	**$ 13,553**	$ 13,842
Intellectual property rights and patents	**5,075**	6,189
Development costs	**779**	1,089
Deferred financing costs	**1,148**	1,182
Debenture issue costs	**–**	113
Other	**184**	350
	$ 20,739	$ 22,765

The cost and accumulated amortization of intellectual property rights amount to $4,955,173 and $323,540, respectively ($5,796,987 and $141,025 in 2000).

The cost and accumulated amortization of patents amount to $890,000 and $446,335, respectively ($890,000 and $357,335 in 2000).

12. Bank indebtedness:

As at March 31, 2001, the Company benefited from agreements with various financial institutions providing credit facilities totalling $35 million. These credit facilities bear interest at the prime rates of the lending financial institutions plus 0.5% (0.5% in 2000) and are renewable in 2002. These credit facilities are secured by a movable and an immovable hypothec on the universality of the Company's property and that of its subsidiaries. The credit facilities include certain financial covenants which were met as at March 31, 2001.

13. Long-term debt:

	2001	2000
Term loan, prime rate of United States financial institution plus 1.3%, repayable in two semi-annual instalments of $1,261,900, six semi-annual instalments of $1,340,800 and the remaining balance at maturity in September 2005 (a)	**$ 34,024**	$ 31,352
Bridge loan for a maximum amount of $36,000,000, interest rate of 30 to 180 days bankers acceptances plus 1.25% and U.S. interest rate of a Canadian financial institution plus 1.0% repayable at maturity in September 2004 (a)	**23,317**	30,807
Mortgage loan, secured by fixed assets and by a hypothec on the universality of the equipment of a subsidiary, prime rate of a financial institution plus 0.75%, repayable in monthly instalments of $65,476, principal only, maturing in 2003	**810**	2,095
7% note payable, repayable in quarterly payments of US$12,867, principal only, maturing in 2005	**304**	414
5.66% mortgage, secured by fixed assets, without repayment terms, renewable in 2001	**181**	202
Note payable, prime rate of a financial institution plus 0.875%, repayable in monthly instalments of $100,000, principal only, renewable in 2001	**–**	3,225
Note payable, US prime rate of a financial institution plus 1%, payable in monthly instalments of US$17,857, principal only, maturing in 2004	**–**	1,163
Balance carried forward	**$ 58,636**	$ 69,258

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

13. LONG-TERM DEBT (CONTINUED):

Balance brought forward	**$ 58,636**	$ 69,258
7% bank loan, repayable in monthly instalments of US$7,425, principal and interest, maturing in 2003	**–**	393
Bank loan, bearing interest at US prime rate of a Canadian financial institution plus 0.75%, repayable in monthly instalments of US$26,786, principal only, renewable in 2001	**–**	2,258
	58,636	71,909
Current portion of long-term debt	**1,048**	2,956
	$ 57,588	$ 68,953

a) These credit arrangements are secured by a movable and an immovable hypothec on the universality of the Company's property and that of its subsidiaries. The credit agreements contain certain financial covenants which are met as at March 31, 2001.

Repayment terms on these bridge loans are currently under negotiation with a financial institution.

Principal repayments of long-term debt for the next five years on the basis of current debt terms and conditions are as follows:

2002	$ 3,052
2003	2,787
2004	2,763
2005	26,060
2006	23,974

14. OTHER LIABILITIES:

	2001	2000
Accrued pension liabilities	**$ 4,528**	$ 4,535
Other	**3,011**	3,040
	$ 7,539	$ 7,575

15. SUBORDINATED DEBENTURES:

	2001	2000
Non-interest bearing since January 23, 1998, convertible at the holder's option into Class A subordinated voting shares at a conversion price of $3.75 per share, maturing in 2004. These debentures are redeemable at their face amount as of January 1, 1999.	**$ –**	$ 5,243

During the year, 45.1% (3.5% in 2000) of the subordinated debentures issued initially were converted into Class A subordinated voting shares at $3.75 per share (see note 16). Subsequent to this transaction, debenture issue expenses of $111,108 ($10,167 in 2000), included in other assets, were charged to retained earnings.

16. SHARE CAPITAL:

Authorized:

Unlimited number of shares without par value:

Class B multiple voting shares, carrying 10 votes per share, participating, convertible into Class A subordinate voting shares

Class A subordinate voting shares, participating

Preferred shares, issuable in series

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

16. Share capital (continued):

Issued and fully paid:

	2001		2000	
	Number of shares	**Total**	Number of shares	Total
Class B shares				
Outstanding, beginning of year	**3,604,855**	**$ 5,685**	3,670,361	$ 5,789
Share redemption for cancellation	**(9,200)**	**(14)**	(34,600)	(55)
Conversion of Class B shares into Class A shares	**(26,373)**	**(41)**	(30,906)	(49)
Outstanding, end of year	**3,569,282**	**$ 5,630**	3,604,855	$ 5,685
Class A subordinate voting shares				
Outstanding, beginning of year	**4,707,954**	**$ 14,804**	4,672,088	14,649
Shares issued:				
Conversion of Class B shares into Class A shares	**26,373**	**41**	30,906	49
Conversion of debentures	**1,444,531**	**5,719**	112,260	442
Issuance of shares pursuant to stock option plan (note 18)	**10,000**	**43**	–	–
Shares redeemed for cancellation	**(146,800)**	**(462)**	(107,300)	(336)
Outstanding, end of year	**6,042,058**	**$ 20,145**	4,707,954	$ 14,804
Total		**$ 25,775**		$ 20,489

During the year, the Company redeemed 9,200 Class B shares (34,600 in 2000) for cancellation for a cash consideration of $64,262 ($143,387 in 2000), including a premium of $49,753 ($88,819 in 2000) charged to retained earnings. It also redeemed 146,800 Class A subordinate voting shares (107,300 in 2000) for cancellation for a cash consideration of $1,018,877 ($431,793 in 2000), including a premium of $557,292 ($95,342 in 2000) charged to retained earnings.

In addition, 1,444,531 Class A subordinate voting shares (112,260 in 2000) were issued on the conversion of a portion of the convertible subordinate debentures (see note 15). A total amount of $5,719,246 ($441,135 in 2000) was recorded in the capital stock of Class A subordinate voting shares, comprising 45.1% (3.5% in 2000) of the balance of convertible subordinate debentures issued initially and the equity component of the convertible subordinate debentures.

17. Information included in the consolidated statements of earnings:

The consolidated statements of earnings include the following items:

	2001	2000
Amortization of fixed assets	**$ 6,177**	$ 4,984
Amortization of goodwill	**506**	505
Amortization of development costs	**388**	340
Amortization of deferred financing costs	**193**	31
Amortization of discount on subordinate debentures	**5**	62
Amortization of other assets	**649**	485
Amortization of deferred government assistance and investment tax credits	**(34)**	(34)
	$ 7,884	$ 6,373
Interest on long-term debt	**$ 5,351**	$ 3,737

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

18. Stock option plans:

Under stock option plans for senior executives, management and directors, a total of 967,424 Class A subordinated voting shares of the capital stock of the Company may be issued. Under the plans, the exercise price of each option is equivalent to the price of the Company's shares on the date of grant of the options and the maximum term of an option may not exceed 10 years. The terms and conditions of the options are determined by the Board of Directors.

	2001		2000	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Outstanding at beginning of year	**320,000**	**$ 3.97**	275,000	$ 3.95
Granted	**416,000**	**5.83**	50,000	4.05
Exercised	**(10,000)**	**4.33**	–	–
Forfeited	**(2,000)**	**5.35**	(5,000)	3.30
Outstanding at end of year	**724,000**	**$ 4.86**	320,000	$ 3.97

The following table summarizes information on the stock options outstanding as at March 31, 2001:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average Exercise price
$3.30 - $3.90	90,000	4.5	$ 3.63	60,000	$ 3.50
$4.00 - $4.25	225,000	7.7	4.12	80,000	4.13
$5.35 - $5.35	379,000	9.0	5.35	107,800	5.35
$7.80 - $7.80	25,000	9.6	7.80	–	–
$8.00 - $8.00	5,000	9.6	8.00	5,000	8,00
	724,000	8.07	$ 4.86	252,800	$ 4.58

19. Non-cash items in net earnings:

	2001	2000
Gain on disposal of commercial activities	**$ (530)**	$ –
Loss on write-off of investments and other assets	**507**	957
Gain on disposal of fixed assets and other assets	**(532)**	(1,945)
Amortization (note 17)	**7,884**	6,373
Future income taxes	**(2,913)**	(140)
Pension costs	**(85)**	(21)
Non-controlling interest	**(452)**	554
	$ 3,879	$ 5,778

20. Net change in non-cash working capital balances:

	2001	2000
Accounts receivable	**$ (4,881)**	$(14,531)
Inventories	**(1,644)**	8,120
Income taxes payable	**(806)**	419
Contracts in progress and progress billings	**12,499**	1,773
Prepaid expenses	**1,526**	(546)
Accounts payable and accrued liabilities	**(6,519)**	(4,576)
	$ 175	$ (9,341)

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

21. Segmented information:

The Company and its subsidiaries conduct their activities mainly in the United States, Canada and Europe in three large business segments, the Pulp and Paper Group, the Process Group, and Manufacturing.

The segments are managed separately as they require different marketing strategies. The Company measures the performance of each segment based on the earnings before provision for income taxes and financial expenses.

The accounting policies for each segment are identical to those used for the consolidated financial statements. Intersegment sales are concluded at an agreed upon amount between the segments involved.

	Pulp and Paper Group		Process Group		Manufacturing		Other and elimination		Total	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
Revenues	**$ 288,968**	$ 164,007	**$ 119,553**	$ 74,629	**$ 28,595**	$ 27,070	**$ (29,651)**	$ (30,266)	**$ 407,465**	$ 235,440
Amortization of fixed assets, goodwill and other assets	**4,595**	3,695	**2,007**	1,860	**694**	624	**583**	132	**7,879**	6,311
Earnings before provision for income taxes and financial expenses	**21,772**	9,436	**6,852**	4,764	**2,452**	2,564	**(4,123)**	(2,243)	**26,953**	14,521
Segment assets	**148,017**	130,904	**126,339**	123,022	**13,137**	15,484	**(56,283)**	(43,503)	**231,210**	225,907
Acquisition of fixed assets	**5,601**	1,369	**1,381**	776	**1,443**	410	**474**	44	**8,899**	2,599

The consolidated data per geographic segment is represented based on the location of the subsidiaries.

	2001	2000
Revenue per geographic segment:		
Canada	**$ 109,838**	$ 78,592
United States	**230,800**	103,052
Europe and other	**97,003**	84,983
Eliminations	**(30,176)**	(31,187)
	$ 407,465	$ 235,440
Export sales from Canadian subsidiaries	**$ 48,631**	$ 28,113

	2001	2000
Assets per geographic segment:		
Fixed assets:		
Canada	**$ 15,216**	$ 14,344
United States	**38,431**	37,449
Europe and other	**5,210**	9,998
	$ 58,857	$ 61,791
Goodwill:		
Canada	**$ –**	$ –
United States	**13,066**	13,484
Europe and other	**487**	358
	$ 13,553	$ 13,842

(Tabular amounts are expressed in thousands of dollars, except for per share figures.)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS:

a) Fair value of financial instruments:

The fair value of cash, temporary investments, accounts receivable and accounts payable and accrued liabilities is equivalent to the carrying amount thereof given that they will mature shortly.

The fair value of investments in private companies is not easily determinable because the shares of these companies are not publicly traded.

The following table shows the carrying value and fair value of certain financial instruments which have a fair value which is different from their carrying value as at March 31, 2001 and 2000. The estimated fair value of debt instruments is determined by analyzing future cash flows discounted at market interest rates at year-end or discounted at market interest rates at year-end of similar instruments having the same maturity date.

	2001		2000	
	Carrying value	**Fair value**	Carrying value	Fair value
Other investments	**$ 2,847**	**$ 2,817**	$ 2,939	$ 2,877
Long-term debt including current portion	**58,636**	**58,621**	71,909	71,793
Liability component of convertible subordinate debentures	**–**	**–**	5,243	8,253
Forward exchange contracts	**–**	**(263)**	–	50

b) Forward exchange contracts:

The Company has concluded forward exchange contracts which in effect fixed the Canadian dollar amount of future cash flows in US dollars until June 2002 at US$7,691,000 for an average rate of 0.657.

23. COMMITMENTS:

The Company has entered into operating leases with total minimum lease payments of $11,583,000, which expire at various dates until 2008. Minimum lease payments for the next five years are as follows:

2002	$ 3,241,000
2003	2,806,000
2004	2,068,000
2005	1,641,000
2006	1,042,000

24. CONTINGENCIES:

The Company and its subsidiaries are parties to claims and suits brought against them for which it is impossible to determine the outcome. In the opinion of management, the results of such claims and suits are not expected to materially affect the Company's financial position.

25. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with presentation adopted in the current year.

Other Information

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Lefebvre Financial Communications Inc.

GL&V's 2000-2001 Annual Information Form will be available on request at the Company's Head Office as of August 18, 2001.

ANNUAL GENERAL MEETING OF SHAREHOLDERS
THURSDAY, SEPTEMBER 20, 2001
AT 11:30 A.M.
OMNI MONT-ROYAL HOTEL
PIERRE DE COUBERTIN ROOM
1050 SHERBROOKE STREET WEST
MONTREAL, QUEBEC

Ce rapport annuel est également disponible en français. Pour en recevoir un exemplaire, veuillez vous adresser par écrit au Secrétaire de la Société au siège social.

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